Ba-Phalaborwa Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Published 30 November 2018

General Information

Nature of business and principal activities	Local government institution in the Mopani District, Limpopo
Mayoral committee	**Names**
Mayor	Cllr.PJ Shayi
	Cllr.MM Malatji - Speaker
	Cllr.E Hlungwane - Chief Whip
	Cllr. SL Mohlala - Member of Exco.
	Cllr. T Nkuna - Member of Exco
	Cllr. MS Magomane - Member of Exco
	Cllr. SR De Beer - Member of Exco
	Cllr. MM Malesa - Member of Exco
	Cllr. AN Mmola - Member of Exco
Councillors	Cllr. KO Pilusa - MPAC Chairperson
	Cllr. R Makasela
	Cllr. KA Peta
	Cllr. KP Mhlarhi KP
	Cllr. ST Mkanzi
	Cllr. B Ramothwala
	Cllr. NJ Mampuru
	Cllr. ME Mokgalaka
	Cllr. Z Ndlovu
	Cllr. EA Mokoena
	Cllr. PK Mashego
	Cllr.SP Mashumu
	Cllr. LM Matlala
	Cllr. VM Rapatsa
	Cllr. TC Malatjie
	Cllr. PS Dikgale
	Cllr. TS Ndlovu
	Cllr. GH Lamola
	Cllr. A Ngobeni
	Cllr. Williamson MRS
	Cllr. SM Shayi
	Cllr. Bayana DR
	Cllr. Mathebula MMA
	Cllr. RJ Mphogo
	Cllr. NB Maake
	Cllr. MJ Valoyi
	Cllr. SK Shai
Grading of local authority	3
Chief Finance Officer (CFO)	Mogano TJ
Accounting Officer	Moakamela MI
Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390

General Information

Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba-Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Bankers	Standard Bank of South Africa ABSA Bank
Auditors	Auditor-General - South Africa
Attorneys	Chidi Attorneys Masengane Ke Attorneys Isaiah Nyathi Attorneys Thomas & Swanepoel Inc Mathonsi Attorneys Sikhitha Danils & Associates Ngcingwana Inc Bernhard Van Der Hoven Gerhard Wagenaar Raphela Inc Attorneys
Audit Committee	Chairperson: Ravhudzulo KP CA (SA) (Reappointed 31 July 2018) Member: Mbonambi KG (Terminated 15 March 2018) Member: Advocate Nevondwe LT (Appointed 31 July 2018) Member: Mangoma L (Reappointed 31 July 2018) Member: Hlomane HG (Terminated 30 June 2018) Member: Advocate Thubakgale L (Terminated 30 June 2018) Member: Ngobeni SAB (Appointed 31 July 2018)

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

List of Abbreviations

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered institute of Government Finance, Auditing and Risk Officers
VAT	Value Added Taxation
FMG	Financial Management Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 102, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2018 and were signed by:

Moakamela MI
Accounting Officer

Phalaborwa

30 November 2018

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 713 464 410 and that the municipality's total liabilities exceed its assets by R 751 536 852.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The municipality is able to pay its creditors and employees as and when these fall due. The municiaplity has appointed all the senior managers responsible for the departments and it has spend all the allocated Municipal Infrustructure Grants (MIG).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

These accounting policies are consistent with the previous period.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	**Nationality**
Moakamela MI	South African

6. Auditors

Auditor-General - South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

	Notes	2018 R	2017 Restated* R
Assets			
Current Assets			
Inventories	3	335 320 566	336 618 342
Receivables from non-exchange transactions	4&5	33 846 925	49 204 909
VAT receivable	6	1 399 656	-
Consumer debtors	7	10 449 534	25 398 089
Cash and cash equivalents	8	9 036 770	17 037 782
		390 053 451	**428 259 122**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	104 526	263 710
Investment property	10	44 303 307	43 054 720
Property, plant and equipment	11	850 657 737	861 766 778
Intangible assets	12	547 641	855 371
Heritage assets	13	317 000	317 000
		895 930 211	**906 257 579**
Total Assets		**1 285 983 662**	**1 334 516 701**
Liabilities			
Current Liabilities			
Other financial liabilities	14	11 712 815	5 937 433
Finance lease obligation	15	-	83 890
Payables from exchange transactions	16	269 112 694	222 944 154
VAT payable	17	-	5 592 214
Consumer deposits	19	4 124 450	4 085 207
Unspent conditional grants and receipts	20	1 341 486	785 867
Bank overdraft	8	1 226 285	-
		287 517 730	**239 428 765**
Non-Current Liabilities			
Other financial liabilities	14	109 372 766	121 085 582
Employee benefit obligation	18	43 758 000	36 946 000
Provisions	21	93 798 314	81 256 606
		246 929 080	**239 288 188**
Total Liabilities		**534 446 810**	**478 716 953**
Net Assets		**751 536 852**	**855 799 748**
Reserves			
Revaluation reserve	22	38 072 442	38 072 442
Accumulated surplus		713 464 410	817 727 306
Total Net Assets		**751 536 852**	**855 799 748**

* See Note 49

Statement of Financial Performance

	Notes	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	24	118 357 171	96 911 099
Rental of facilities and equipment	25	656 329	354 119
Agency services	26	4 767 436	14 501 107
Licences and permits	27	2 644 777	2 417 209
Other income	33	3 707 290	1 407 380
Interest received	29	26 165 524	4 716 243
Total revenue from exchange transactions		**156 298 527**	**120 307 157**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	106 413 632	89 202 967
Transfer revenue			
Government grants & subsidies	31	176 813 074	143 068 431
Public contributions and donations		-	3 017 000
Fines, penalties and forfeits	32	2 941 693	3 397 471
Other transfer revenue		180 425	199 209
Total revenue from non-exchange transactions		**286 348 824**	**238 885 078**
Total revenue	23	**442 647 351**	**359 192 235**
Expenditure			
Employee related costs	34	(135 383 488)	(122 185 716)
Remuneration of councilors	35	(14 364 900)	(12 737 754)
Depreciation and amortisation	36	(71 669 355)	(101 523 692)
Impairment loss	37	(159 392 945)	(230 168 325)
Finance costs	38	(16 221 723)	(9 790 243)
Bulk purchases	39	(75 016 186)	(81 354 073)
Contracted services	40	(24 292 163)	(30 460 135)
General expenses	41	(78 721 666)	(68 808 946)
Total expenditure		**(575 062 426)**	**(657 028 884)**
Operating deficit	44	**(132 415 075)**	**(297 836 649)**
Gain (loss) on disposal of assets and liabilities		1 103 295	(96 160)
Fair value adjustments	42	1 301 996	(806 233)
Loss on biological assets and agricultural produce	58	(212 591)	-
		2 192 700	**(902 393)**
Deficit for the year		**(130 222 375)**	**(298 739 042)**

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	38 080 701	973 457 081	1 011 537 782
Adjustments			
Prior year adjustments	-	143 009 267	143 009 267
Balance at 01 July 2016 as restated*	**38 080 701**	**1 116 466 348**	**1 154 547 049**
Changes in net assets			
Revaluation of land	(8 259)	-	(8 259)
Net income (losses) recognised directly in net assets	(8 259)	-	(8 259)
Deficit for the year	-	(298 739 042)	(298 739 042)
Total recognised income and expenses for the year	(8 259)	(298 739 042)	(298 747 301)
Total changes	(8 259)	(298 739 042)	(298 747 301)
Opening balance as previously reported	38 072 442	817 727 306	855 799 748
Adjustments			
Prior year adjustments	-	25 959 479	25 959 479
Restated* Balance at 01 July 2017 as restated*	**38 072 442**	**843 686 785**	**881 759 227**
Changes in net assets			
Deficit for the year	-	(130 222 375)	(130 222 375)
Total changes	-	(130 222 375)	(130 222 375)
Balance at 30 June 2018	**38 072 442**	**713 464 410**	**751 536 852**
Note	22		

* See Note 49

Cash Flow Statement

	Notes	2018 R	2017 Restated* R
Cash flows from operating activities			
Receipts			
Agency fees		4 767 436	14 501 107
Service revenue		81 690 174	152 119 043
Interest income		2 071 406	518 238
Grants		176 257 455	144 225 789
Rates received		42 816 796	47 968 238
Other income		7 008 396	4 178 708
		314 611 663	363 511 123
Payments			
Employee costs		(126 299 099)	(117 129 322)
Remuneration of councilors		(14 364 900)	(12 737 754)
Suppliers and other payments		(115 026 515)	(179 361 938)
Interest paid		(286 461)	(325 248)
		(255 976 975)	(309 554 262)
Net cash flows from operating activities	45	**58 634 688**	**53 956 861**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(54 018 004)	(39 116 986)
Proceeds from sale of property, plant and equipment	11	1 736 827	-
Purchase of other intangible assets	12	(130 756)	-
Purchase of biological assets that form part of an agricultural activity	9	(63 668)	-
Net cash flows from investing activities		**(52 475 601)**	**(39 116 986)**
Cash flows from financing activities			
Repayment of other financial liabilities		(15 300 000)	(8 500 000)
Finance lease payments		(86 384)	(371 165)
Net cash flows from financing activities		**(15 386 384)**	**(8 871 165)**
Net increase/(decrease) in cash and cash equivalents		**(9 227 297)**	**5 968 710**
Cash and cash equivalents at the beginning of the year		17 037 782	11 069 072
Cash and cash equivalents at the end of the year	8	**7 810 485**	**17 037 782**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	142 239 206	-	**142 239 206**	118 357 171	**(23 882 035)**	57.1
Rental of facilities and equipment	500 011	-	**500 011**	656 329	**156 318**	57.2
Agency services	2 701 127	-	**2 701 127**	4 767 436	**2 066 309**	57.3
Licences and permits	11 922 430	-	**11 922 430**	2 644 777	**(9 277 653)**	57.4
Other income	1 731 792	-	**1 731 792**	3 707 290	**1 975 498**	57.5
Interest received - investment	72 580 461	-	**72 580 461**	26 165 524	**(46 414 937)**	57.6
Sub-total	**231 675 027**	**-**	**231 675 027**	**156 298 527**	**(75 376 500)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	113 609 160	-	**113 609 160**	106 413 632	**(7 195 528)**	57.7
Transfer revenue						
Government grants & subsidies	177 156 000	782 000	**177 938 000**	176 813 074	**(1 124 926)**	57.8
Fines, Penalties	450 514	-	**450 514**	2 941 693	**2 491 179**	57.9
Other transfer revenue	-	-	**-**	180 425	**180 425**	
Sub-total	**291 215 674**	**782 000**	**291 997 674**	**286 348 824**	**(5 648 850)**	
Total revenue	**522 890 701**	**782 000**	**523 672 701**	**442 647 351**	**(81 025 350)**	
Expenditure						
Personnel	(143 681 751)	420 878	**(143 260 873)**	(135 383 488)	**7 877 385**	57.10
Remuneration of councillors	(14 804 198)	-	**(14 804 198)**	(14 364 900)	**439 298**	57.11
Depreciation and amortisation	(70 116 984)	-	**(70 116 984)**	(71 669 355)	**(1 552 371)**	57.12
Impairment loss/ Reversal of impairments	(37 798 681)	-	**(37 798 681)**	(159 392 945)	**(121 594 264)**	57.14
Finance costs	(744 800)	-	**(744 800)**	(16 221 723)	**(15 476 923)**	57.13
Bulk purchases	(98 163 492)	-	**(98 163 492)**	(75 016 186)	**23 147 306**	57.15
Contracted Services	(45 318 809)	1 230 000	**(44 088 809)**	(24 292 163)	**19 796 646**	57.16
General Expenses	(95 758 026)	(1 650 878)	**(97 408 904)**	(78 721 666)	**18 687 238**	57.17
Total expenditure	**(506 386 741)**	**-**	**(506 386 741)**	**(575 062 426)**	**(68 675 685)**	
Operating deficit	**16 503 960**	**782 000**	**17 285 960**	**(132 415 075)**	**(149 701 035)**	
Gain on disposal of assets and liabilities	-	-	**-**	1 103 295	**1 103 295**	57.18
Fair value adjustments	-	-	**-**	1 301 996	**1 301 996**	
Loss on biological assets and agricultural produce	-	-	**-**	(212 591)	**(212 591)**	
	-	**-**	**-**	**2 192 700**	**2 192 700**	
Deficit before taxation	**16 503 960**	**782 000**	**17 285 960**	**(130 222 375)**	**(147 508 335)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**16 503 960**	**782 000**	**17 285 960**	**(130 222 375)**	**(147 508 335)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on individual basis for major customers (others are grouped on a portfolio basis), based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the customer. These annual loss ratios are applied to loan balance of the customer or the portfolio and scaled to the estimated loss emergence period.

The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including including production estimates, together with economic factors such as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Contingent provisions

Contingencies recognised in the current year required estimates and judgments, refer to note 47.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. During the current year, the municipality determined that the estimated residual value of certain items of property plant and equipment should be revised.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Accounting Policies

1.6 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.7 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Infrastructure	Straight line	
• Electricity Assets		3 - 60 years
• Roads		5 - 100 years
• Roads furniture		2 - 50 years
• Roads structures		80 years
Community	Straight line	
• Cemeteries		5 - 100 years
• Halls and centres		7 - 100 years
• Landfill sites		15 - 60 years
• Markets, stalls and LED facilities		15 - 50 years
• Parks		10 - 80 years
• Sport facilities		30 years
• Taxi ranks		15 - 100 years
Other property, plant and equipment	Straight line	
• Computer hardware		5 years
• Equipment		5 years
• Furniture and fittings		7 years
• Machinery		5 - 7 years
• Office equipment		3 - 10 years
• Picnic seaters and benches		7 years
• Vehicles		3 - 20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.7 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

1.9 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.10 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

1.11 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;

1.11 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.11 Financial instruments (continued)
Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.11 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.15 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.16 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Insured benefits

Where the municipality pays insurance premiums to fund a post-employment benefit plan, the municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.16 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is not presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan include:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

1.17 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Accounting Policies

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures are reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Accounting Policies

1.29 Related parties (continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Land inventory

Initial recognition and measurement

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if, and only if:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the inventory can be measured reliably.

Inventories that qualify for recognition as assets is initially measured at cost. Inventories are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs is its fair value as at the date of acquisition.

Subsequent measurement

Inventories are measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

Land registered in the name of the municipality earmarked for human settlements at a fee and where there is no uncertainty regarding date of release is classified as land inventory held for sale.

Accounting Policies

1.32 Value Added Taxation

The municipality accounts for value added taxation on the payments basis.

1.33 Offsetting

Assets, liabilities, revenue and expenses are not offset except when offsetting is required or permitted by a standard of GRAP.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:
- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB’s Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

	2018 R	2017 R

3. Inventories

Consumable stores	13 693 853	14 991 629
Land Inventory - Held for resale	321 626 713	321 626 713
	335 320 566	**336 618 342**

Consumable stores

Consumable stores inventory have been maintained throughout the financial year comprising of electrical cables, cleaning materials and stationery.

Land Inventory - Held for resale

This relates to land parcels that the municipality intends to sell to the community.

Inventory pledged as security

No inventory was pledged as security.

Inventory write-downs

It is the municipality's policy to make inventory write-downs for obsolete and expired stock. During the current year, the assessment of inventory for impairment resulted in write downs reported on note 37.

4. Receivables from non-exchange transactions

Fines	22 478 373	25 354 305
Consumer debtors - Rates	11 368 552	23 850 604
	33 846 925	**49 204 909**

There are no receivables from non-exchange transactions that were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	261 101 688	197 504 852
Less: Allowance for impairment		
Consumer debtors - Rates	(249 733 136)	(173 654 248)
Net balance		
Consumer debtors - Rates	11 368 552	23 850 604
Rates		
Current (0 -30 days)	8 374 308	6 141 961
31 - 60 days	6 995 400	4 307 952
61 - 90 days	5 696 280	3 924 793
91 - 120 days	5 283 987	3 770 955
121 - 365 days	24 984 972	18 062 040
> 365 days	209 766 741	161 297 151
	261 101 688	**197 504 852**

Notes to the Annual Financial Statements

	2018 R	2017 R

5. Consumer debtors disclosure (continued)

	2018 R	2017 R
Reconciliation of allowance for impairment		
Balance at beginning of the year	173 654 248	192 940 974
Contributions to allowance	76 078 888	(19 286 726)
	249 733 136	**173 654 248**

6. VAT receivable

	2018 R	2017 R
VAT	1 399 656	-

VAT is payable to SARS on the receipts basis. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

7. Consumer debtors

	2018 R	2017 R
Gross balances		
Electricity	58 369 009	40 218 583
Refuse	71 109 435	60 187 950
Sundry services	110 516 135	109 912 919
	239 994 579	**210 319 452**
Less: Allowance for impairment		
Electricity	(55 827 581)	(35 361 804)
Refuse	(68 013 280)	(52 919 678)
Sundry services	(105 704 184)	(96 639 881)
	(229 545 045)	**(184 921 363)**
Net balance		
Electricity	2 541 428	4 856 779
Refuse	3 096 155	7 268 272
Sundry services	4 811 951	13 273 038
	10 449 534	**25 398 089**
Electricity		
Current (0 -30 days)	4 919 168	4 195 244
31 - 60 days	4 737 923	2 103 534
61 - 90 days	1 799 497	851 715
91 - 120 days	1 362 524	734 680
121 - 365 days	7 691 262	2 799 554
> 365 days	37 858 635	29 533 856
	58 369 009	**40 218 583**
Refuse		
Current (0 -30 days)	1 285 322	1 099 391
31 - 60 days	1 140 963	876 626
61 - 90 days	990 337	823 768
91 - 120 days	946 185	806 752
121 - 365 days	4 558 126	3 894 643
> 365 days	62 188 502	52 686 770
	71 109 435	**60 187 950**

Notes to the Annual Financial Statements

	2018 R	2017 R

7. Consumer debtors (continued)

Sundry services		
Current (0 -30 days)	363 186	472 153
31 - 60 days	396 860	451 651
61 - 90 days	339 440	440 043
91 - 120 days	329 500	432 780
121 - 365 days	1 607 776	2 089 586
> 365 days	107 479 373	106 026 706
	110 516 135	**109 912 919**

Consumer debtors pledged as security

There are no receivables from exchange transactions that were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Fair value of consumer debtors

The carrying amounts of receivables from exchange transactions approximate their fair values.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	184 921 363	136 287 020
Allowance for impairment	44 623 683	48 634 343
	229 545 046	**184 921 363**

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 37). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 758	130
Bank balances	-	14 035 274
Short-term deposits	9 035 012	3 002 378
Bank overdraft	(1 226 285)	-
	7 810 485	**17 037 782**

Current assets	9 036 770	17 037 782
Current liabilities	(1 226 285)	-
	7 810 485	**17 037 782**

	2018 R	2017 R

8. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating - Moody's		
Standard bank - Baa3	9 824 732	10 821 273
Absa bank - Baa3	103 351	100 096
	9 928 083	**10 921 369**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as security.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
Standard Bank - Cheque Account - 330-451-3670001	534 717	4 092 418	2 414 184	(1 584 576)	10 208 784	2 506 564
Standard Bank - Investment Account - 238711102001	4 224 526	2 451 810	3 186 422	4 224 526	2 451 810	3 186 422
Standard Bank - Investment Account - 238711102002	3 262 220	125 681	1 037 019	3 262 220	125 681	1 037 019
Standard Bank - Investment Account - 238711102004	1 134 086	37 198	2 491 098	1 134 086	37 198	2 491 098
Standard Bank - Investment Account - 238711102005	310 829	292 478	274 393	310 829	292 478	274 393
Standard Bank -Investment Account - 243098804000	358 354	3 821 668	1 478 362	358 290	3 821 605	1 478 987
ABSA Bank - Call Account - 4061623641	3 030	3 327	3 280	3 030	3 327	3 280
ABSA Bank - Fixed Deposit - 2064270257	100 321	96 769	91 934	100 321	96 769	91 934
Total	**9 928 083**	**10 921 349**	**10 976 692**	**7 808 726**	**17 037 652**	**11 069 697**

The difference between the cash book balance and bank statements for the Standard Bank - Cheque Account - 330-451-3670001 was caused by unpresented cheques, outstanding deposits and outstanding transfers at year end.

The theoretical overdraft is a cash book overdraft rather than the bank. This was caused by the reconciling items described above and as per bank reconciliations.

9. Biological assets that form part of an agricultural activity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees and flowers	104 526	-	104 526	263 710	-	263 710

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Additions	Write off	Gains or losses arising from changes in fair value	Total
Trees and flowers	263 710	63 668	(212 592)	(10 260)	104 526

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Additions	Write off	Gains or losses arising from changes in fair value	Total
Trees and flowers	266 663	-	-	(2 953)	263 710

Pledged as security

There are no biological assets pledged as security.

Methods and assumptions used in determining fair value

The municipality engaged the services of an expert valuer for the biological assets who used the open market value of the flowers and trees at year end.

10. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44 303 307	-	44 303 307	43 054 720	-	43 054 720

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	43 054 720	1 248 587	44 303 307

Notes to the Annual Financial Statements

	2018 R	2017 R

10. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	43 858 000	(803 280)	43 054 720

	2018	2017
Fair value of investment properties	44 303 307	43 054 720

Pledged as security

There are no investment properties pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2018. Revaluations were performed by an independent valuer, Kholofelo Modiba, Modhope (Pty) Ltd**.** Kholofelo Modiba, Modhope (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

	2018	2017
Rental revenue from investment property	336 492	154 901

11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	98 673 485	-	98 673 485	98 673 485	-	98 673 485
Buildings	327 029 276	(215 406 861)	111 622 415	326 637 832	(203 386 094)	123 251 738
Infrastructure	842 248 033	(458 137 116)	384 110 917	811 408 050	(426 437 227)	384 970 823
Community	401 138 697	(254 239 659)	146 899 038	391 203 437	(226 866 565)	164 336 872
Library books	69 538	(62 797)	6 741	69 538	(44 416)	25 122
Capital work in progress	97 915 407	-	97 915 407	78 161 092	-	78 161 092
Other property, plant and equipment (Movables)	43 825 048	(32 395 314)	11 429 734	47 330 326	(34 982 680)	12 347 646
Total	**1 810 899 484**	**(960 241 747)**	**850 657 737**	**1 753 483 760**	**(891 716 982)**	**861 766 778**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Other movements	Transfers	Correction of an error	Reclass	Depreciation	Impairment	Total
Land	98 673 485	-	-	-	-	-	-	-	-	98 673 485
Buildings	123 251 738	391 444	-	-	-	-	-	(12 020 767)	-	111 622 415
Infrastructure	384 970 823	95 760	-	-	30 744 223	-	-	(31 699 889)	-	384 110 917
Community	164 336 872	578 556	-	6 749 390	-	-	-	(24 765 780)	-	146 899 038
Library books	25 122	-	-	-	-	-	-	(18 381)	-	6 741
Capital work in progress	78 161 092	50 498 538	-	-	(30 744 223)	-	-	-	-	97 915 407
Other property, plant and equipment (Movables)	12 347 646	2 773 706	(963 532)	-	-	(2 045)	-	(2 726 041)	-	11 429 734
	861 766 778	**54 338 004**	**(963 532)**	**6 749 390**	**-**	**(2 045)**	**-**	**(71 230 858)**	**-**	**850 657 737**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other movements	Transfers	Revaluations	Reclass	Depreciation	Impairment	Total
Land	98 681 744	-	-	-	-	(8 259)	-	-	-	98 673 485
Buildings	135 083 951	152 173	-	-	-	-	-	(11 984 386)	-	123 251 738
Infrastructure	407 469 403	2 336 610	(3 106 488)	-	8 256 207	-	-	(29 313 881)	(671 028)	384 970 823
Community	212 585 601	815 595	-	4 518 517	-	-	-	(53 582 841)	-	164 336 872
Library books	48 301	-	-	-	-	-	-	(23 179)	-	25 122
Capital work in progress	51 686 168	34 063 615	-	-	(8 256 207)	-	667 516	-	-	78 161 092
Other property, plant and equipment (Movables)	13 143 043	1 748 993	-	-	-	-	-	(2 544 390)	-	12 347 646
	918 698 211	**39 116 986**	**(3 106 488)**	**4 518 517**	**-**	**(8 259)**	**667 516**	**(97 448 677)**	**(671 028)**	**861 766 778**

Pledged as security

There are no assets pledged as security.

	2018 R	2017 R

11. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2018 R	2017 R
Motor vehicles	-	519 409
IT equipment	-	461 638
	-	**981 047**

Reconciliation of Work-in-Progress 2018

	Included within Other PPE	Total
Opening balance	78 161 093	78 161 093
Additions/capital expenditure	50 498 539	50 498 539
Transferred to completed items	(30 744 223)	(30 744 223)
	97 915 409	**97 915 409**

Reconciliation of Work-in-Progress 2017

	Included within Other PPE	Total
Opening balance	51 686 169	51 686 169
Additions/capital expenditure	34 063 615	34 063 615
Reclass	667 516	667 516
Transferred to completed items	(8 256 207)	(8 256 207)
	78 161 093	**78 161 093**

Expenditure incurred to repair and maintain property, plant and equipment

	2018 R	2017 R
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Motor vehicles	2 660 866	7 744 423
Plant and equipment	1 025 349	1 231 270
Infrastructure assets	10 322 193	6 659 667
Community assets	1 273 259	295 317
Agricultural assets	-	396
	15 281 667	**15 931 073**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 279 945	(1 732 304)	547 641	2 149 189	(1 293 818)	855 371

Notes to the Annual Financial Statements

	2018 R	2017 R

12. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	855 371	130 756	(438 486)	547 641

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	1 285 209	-	(429 838)	855 371

Pledged as security

There are no intangible assets pledged as security.

13. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	317 000	-	317 000	317 000	-	317 000

Reconciliation of heritage assets 2018

	Opening balance	Total
Heritage assets	317 000	317 000

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	317 000	317 000

14. Other financial liabilities

	2018 R	2017 R
At amortised cost		
Lepelle Northern Water	121 085 581	127 023 015
Non-current liabilities		
At amortised cost	109 372 766	121 085 582
Current liabilities		
At amortised cost	11 712 815	5 937 433

The debt arose when the municipality was still a water supply authority. In terms of the settlement agreement signed between Lepelle Northern Water and Ba-Phalaborwa Municipality dated 22 October 2015 , the debt is repayable in monthly installment of R 1 700 000 and bears no interest. This has been discounted at 7.50% to reflect the time value of money. The loan is unsecured.

Notes to the Annual Financial Statements

	2018 R	2017 R

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	86 384
	-	86 384
less: future finance charges	-	(2 494)
Present value of minimum lease payments	**-**	**83 890**

The municipality had 58 laptops which were under two year finance lease agreements with Vodacom. These were paid up in current year. The facilities were repayable in monthly installments of R18 692 and the average effective borrowing rate for the facility is 9.88% (2017: 9.88%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Payables from exchange transactions

Trade payables	31 131 450	28 894 157
Sundry payables	14 315 128	19 880 424
Accrued leave pay	13 618 330	11 302 285
Accrued bonus	2 308 966	2 186 403
Retentions	6 738 048	6 504 761
Other Creditors	5 836	249 565
Payroll accruals	22 559	313 381
Mopani District Municipality (Water and Sanitation)	200 972 377	153 613 178
	269 112 694	**222 944 154**

17. VAT payable

Value added tax	-	5 592 214

VAT is payable to SARS on the receipts basis. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality has a policy to subsidise the post-employment health care costs of employees that are covered by the municipality sponsored health care arrangements at retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Peter Theunissen, from Independent Actuaries and Consultants (Pty) Ltd, a Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method was used value the post retirement medical aid plan liabilities.

The liability in respect of active members has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

Notes to the Annual Financial Statements

	2018 R	2017 R

18. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(43 758 000)	(36 946 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	36 946 000	38 285 000
Benefits paid	(412 000)	(859 000)
Net expense (gain) recognised in the statement of financial performance	7 224 000	(480 000)
	43 758 000	**36 946 000**

Net expense recognised in the statement of financial performance (Note 34)

Current service cost	880 000	3 780 492
Interest cost	3 590 000	1 843 388
Actuarial losses (gains)	2 754 000	(6 103 880)
	7 224 000	**(480 000)**

Calculation of actuarial gains

Actuarial gains arising from changes in financial assumptions	(462 000)	-
Actuarial gains arising from experience adjustments	3 216 000	(6 103 880)
	2 754 000	**(6 103 880)**

Notes to the Annual Financial Statements

	2018 R	2017 R

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	10.22 %	9.66 %
Long term price inflation	7.02 %	6.53 %
Medical Inflation increase rate	8.52 %	8.03 %
Net discount rate	1.56 %	1.50 %

Discount rate

The discount rate reflects the estimated timing of benefit payments which is oftenly achieved this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The municipality used the average nominal yield curve produced by the Johannesburg Stock Exchange (accessed through Inet BFA data service) for SA Government bonds with duration of between 15 and 20 years as at 30 June 2018. The resultant discount rate was 10,22% (2017: 9.66%).

Future Inflation

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The difference between the nominal and real bonds with duration of between 15 and 20 years was used in the valuation. The implied inflation assumption is therefore 7,02% (2017: 6.53%) per annum.

Future Medical Inflation

The general inflation assumption was used to estimate the base rate for determining the rate at which the future medical subsidies will increase. South Africa has experienced high medical cost inflation in recent years and the assumption used was that medical cost will outstrip general inflation by about 1,5% per annum. The medical cost inflation rate was therefore set at 8,52% (2017: 8.03%) per annum.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salary are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate used in the valuation is 1,56% (2017: 1.50%) per annum (derived from a discount rate of 10,22% and the expected medical inflation rate of 8,52%).

Pre-retirement mortality

The SA85/90 light mortality table, rated down by 1 year, was used in the valuation for the mortality of in-service members. This is the most recent South African Life table and is also the table most often used by Life Insurers.

Post-retirement mortality

The PA90 ultimate mortality table rated down by 2 years was used in the valuation for the mortality of Continuation Members. An allowance for future mortality improvement at a rate of 1% p.a. has been allowed for.

Assumed Retirement Age

The Normal Retirement Age is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

	2018 R	2017 R

18. Employee benefit obligations (continued)

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	(6 354 000)	8 115 000
Effect on defined benefit obligation	37 404 000	51 873 000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	36 946 000	38 285 000	43 304 000	38 333 000	26 841 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2018 R	2017 R
The total economic entity contribution to such schemes recognised as an expense	13 982 650	13 192 583

19. Consumer deposits

	2018 R	2017 R
Electricity	4 124 450	4 085 207

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018 R	2017 R
Unspent conditional grants and receipts		
Municipal infrastructure grant	-	785 867
Integrated National Electrification grant	1 193 856	-
The Energy Efficiency Demand Site Management Program (EEDSM) grant	147 630	-
	1 341 486	**785 867**

Movement during the year

	2018 R	2017 R
Balance at the beginning of the year	785 867	1 943 225
Received during the year	56 760 133	-
Income recognition during the year	(56 204 514)	(1 157 358)
	1 341 486	**785 867**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 31 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

	2018 R	2017 R

21. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Interest charge	Actuarial (gain)/ loss	Total
Environmental rehabilitation	76 068 637	5 552 154	-	6 570 201	-	88 190 992
Employee benefit cost	5 187 969	474 296	(1 441 036)	403 184	982 909	5 607 322
	81 256 606	**6 026 450**	**(1 441 036)**	**6 973 385**	**982 909**	**93 798 314**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Interest charge	Actuarial (gain)/ loss	Total
Environmental rehabilitation	71 550 121	1 280 338	-	3 238 178	-	76 068 637
Employee benefit cost	4 927 899	491 813	(663 301)	434 041	(2 483)	5 187 969
	76 478 020	**1 772 151**	**(663 301)**	**3 672 219**	**(2 483)**	**81 256 606**

Environmental rehabilitation provision

The provision for land fill sites rehabilitation relates to estimated cost for the rehabilitation of three (3) land fill sites operated by the municipality.

Ba-Phalaborwa landfill site is expected to be used for the next two (2) years and it is estimated that R 52 219 329 (2017: R41 854 851) will be spent to rehabilitate the site.

Namakgale landfill site is has reached its useful life and the estimated cost of rehabilitating the site is R 23 414 835 (2017: R 22 153 101).

Gravelotte landfill site has been recommended for closure as it does not comply with the minimum requirements of a landfill site. The estimated cost for rehabilitating the site is R12 556 826 (2017: R 12 060 685).

The evaluation, audit and computation of the provision for rehabilitation of the sites have been carried out by Environmental & Sustainability Solution CC.

Employee benefit cost provision - Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Peter Theunissen, from Independent Actuaries and Consultants (Pty) Ltd, a Fellow of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 30 June 2018: 355 (2017: 401) employees were eligible for Long-services Awards.

Notes to the Annual Financial Statements

	2018 R	2017 R

21. Provisions (continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

Item description	2018	2017
Discount rates used	8.75 %	8.57 %
Future inflation rate	5.86 %	5.34 %
Salary inflation rate	6.34 %	6.86 %
Net discount rate	1.77 %	2.10 %

Discount rate

The discount rate reflects the estimated timing of benefit payments which is oftenly achieved this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The cash flow weighted duration of the liabilities is approximately 6,0 years (2017: 7,0 years). The valuation therefore, used the nominal yield curve for SA Government bonds with duration of 6,0 years as at 30 June 2018. The resultant discount rate was 8.75%. The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future Inflation

The general inflation assumption was used to estimate the base rate for determining the rate at which the future subsidies will increase. The valuation used the difference between the above SA Government nominal and real bonds with a duration of 6.0 years. The implied inflation assumption is therefore 5,86% (2017: 5.34%) per annum.

Future Salary Inflation

The general inflation assumption was used to estimate the base rate for determining the rate at which the future salaries will increase. The assumption was that salary inflation will exceed general inflation by about 1,0% per annum. The Salary inflation rate was therefore set at 6,86% (2017: 6.34%) per annum.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate is 1,77% per annum (derived from a discount rate of 8,75% and the expected salary inflation rate of 6,86%).

Pre-retirement mortality

The valuation assumed that the pre-retirement mortality will be in line with the SA85-90 light table, rated down by 1 year, which is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumption used.

Assumed Retirement Age

The Normal Retirement Age is 65 years. The valuation assumed that all employees will retire at age 63, which implicitly allows for the expected rates of early retirement. It should be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

The Municipality does not have any specific assets set aside to fund this liability.

Notes to the Annual Financial Statements

	2018 R	2017 R

21. Provisions (continued)

Net expense recognised in the statement of financial performance (Note 34)

Current service cost	474 296	491 813
Interest cost	403 184	434 041
Actuarial losses (gains)	982 909	(2 483)
	1 860 389	**923 371**

Calculation of actuarial gains		
Actuarial loss on basis	120 980	-
Actuarial (gain)/ loss on experience	861 929	(2 483)
	982 909	**(2 483)**

22. Revaluation reserve

Opening balance	38 072 442	38 080 701
Change during the year	-	(8 259)
	38 072 442	**38 072 442**

Revaluation surplus relating to property, plant and equipment

Revaluation surplus beginning of period	38 072 442	38 072 442

23. Revenue

Service charges	118 357 171	96 911 099
Rental of facilities and equipment	656 329	354 119
Agency services	4 767 436	14 501 107
Licences and permits	2 644 777	2 417 209
Other income	3 707 290	1 407 380
Interest received - investment	26 165 524	4 716 243
Property rates	106 413 632	89 202 967
Government grants & subsidies	176 813 074	143 068 431
Public contributions and donations [1]	-	3 017 000
Fines and Penalties	2 941 693	3 397 471
Other transfer revenue [2]	180 425	199 209
	442 647 351	**359 192 235**

[1]. Donations and contributions received from the public relates to:
- Donations received from the Palabora Mining Company for Mayoral projects in the financial year 2017 as part of socio-economic development; and
- Contributions received from South African Local Government Authority (SALGA).

None were received in current year.

[2]. This relates to any other monies received of a miscellaneous nature received by the Municipality and includes items such as settlement discounts.

Notes to the Annual Financial Statements

	2018 R	2017 R

23. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

	2018 R	2017 R
Service charges	118 357 171	96 911 099
Rental of facilities and equipment	656 329	354 119
Agency services	4 767 436	14 501 107
Licences and permits	2 644 777	2 417 209
Other income	3 707 290	1 407 380
Interest received - investment	26 165 524	4 716 243
	156 298 527	**120 307 157**

The amount included in revenue arising from non-exchange transactions is as follows:

	2018 R	2017 R
Taxation revenue		
Property rates	106 413 632	89 202 967
Transfer revenue		
Indigent support FBS	176 813 074	143 068 431
Public contributions and donations	-	3 017 000
Donations	2 941 693	3 397 471
Other transfer revenue	180 425	199 209
	286 348 824	**238 885 078**

24. Service charges

	2018 R	2017 R
Sale of electricity	103 550 323	87 170 562
Refuse removal	14 806 848	9 740 537
	118 357 171	**96 911 099**

25. Rental of facilities and equipment

	2018 R	2017 R
Premises		
Hiring of municipal halls	149 803	134 292
Rent received from investment property	336 492	154 901
	486 295	**289 193**
Facilities and equipment		
Hiring of stadiums	103 863	48 946
Advertisement of bill boards	66 171	15 980
	170 034	**64 926**
	656 329	**354 119**

26. Agency services

	2018 R	2017 R
Water and Sanitation	2 736 934	5 605 902
Vehicle Licenses	2 030 502	8 895 205
	4 767 436	**14 501 107**

Notes to the Annual Financial Statements

	2018 R	2017 R

27. Licences and permits (exchange)

Drivers licences	610 188	433 155
Licences	1 884 010	1 824 888
Roadworthy certification	150 579	159 166
	2 644 777	**2 417 209**

28. Other revenue

Other income	3 707 290	1 407 380

29. Investment revenue

Interest revenue		
Bank	2 071 406	518 238
Interest charged on trade and other receivables	24 094 118	4 198 005
	26 165 524	**4 716 243**

30. Property rates

Rates received

Residential	45 563 204	39 068 334
Commercial	28 829 765	27 205 066
State	5 793 567	4 891 363
Municipal	-	89 736
Agriculture	22 483 662	16 325 499
Other	3 743 434	1 622 969
	106 413 632	**89 202 967**

Valuations (R'000s)

Residential	4 919 419	5 240 485
Commercial	2 421 535	1 313 986
State	565 778	104 986
Municipal	517 341	1 276 844
Agriculture	3 151 905	3 195 924
Other	319 389	553 765
	11 895 367	**11 685 990**

Notes to the Annual Financial Statements

	2018 R	2017 R

31. Government grants and subsidies

Operating grants		
Equitable share	120 391 867	110 235 000
Financial management grant	2 145 000	1 810 000
Municipal infrastructure grant	40 401 000	29 782 133
Integrated national electrification grant	7 806 144	-
Local government sector education training authority grant	216 693	241 298
Expanded public works programme grant	1 000 000	1 000 000
The Energy Efficiency Demand Site Management Program (EEDSM) grant	4 852 370	-
	176 813 074	**143 068 431**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members.

Municipal infrastructure grants

Balance unspent at beginning of year	785 867	-
Current-year receipts	39 615 132	30 568 000
Conditions met - transferred to revenue	(40 400 999)	(29 782 133)
	-	**785 867**

Conditions still to be met - remain liabilities (see note 20).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and electricity infrastructure as part of the upgrading of previously disadvantaged areas. During the year Municipality spend all allocated grants as well as those rolled over from the previous year on the MIG.

Intergrated national electrification grant

Balance unspent at beginning of year	-	1 911 761
Current-year receipts	9 000 000	-
Conditions met - transferred to revenue	(7 806 144)	(1 911 761)
	1 193 856	**-**

Conditions still to be met - remain liabilities (see note 20).

The grant is received from National government for electrification projects within the previously disadvantage communities of the municipality.

The Municipality applied for roll over of the unspent portion of the grant which was approved.

Financial management grants

Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
	-	**-**

The Financial management grant (FMG) is paid to the municipality to help implement the financial reforms required by the municipal financial management act of MFMA 2003.The grant also pays for the cost of the financial management internship programmme i.e. salary of the financial management interns.

Notes to the Annual Financial Statements

	2018 R	2017 R

31. Government grants and subsidies (continued)

Expanded public works grant (EPWP)

Balance unspent at beginning of year	-	31 464
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Unspent grants returned to National Treasury	-	(31 464)
	-	**-**

The grant was received from the Department of Public Works for the creation of jobs in the municipal area and to incentivise provincial department to expand work creation efforts through the us of labour intensive delivery methods in identified focus area e.g road maintenance and maintenance of building and other economic and social infrastructure.

Local government sector education training authority grant

Current-year receipts	216 693	241 298
Transferred to revenue	(216 693)	(241 298)
	-	**-**

The Energy Efficiency Demand Site Management Program (EEDSM) grant

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 852 370)	-
	147 630	**-**

Conditions still to be met - remain liabilities (see note 20).

The EEDSM programme is managed by the Department of Energy. The grant is for the planning and implementation of energy efficient technologies such as traffic signals, street and building lighting, as well as water service infrastructure.

The Municipality applied for roll over of the unspent portion of the grant which was approved.

32. Fines, Penalties and Forfeits

Library Fines	9 117	13 139
Municipal Traffic Fines	2 932 576	3 384 332
	2 941 693	**3 397 471**

33. Other income

Building plan fees	130 497	129 605
Cemetery fees	139 506	129 642
Clearance certificates	29 975	44 076
Connection fees	813 136	1 006 589
Sale of municipal land	1 595 019	1 491 368
Selling of bid documents	494 499	104 905
Sundry income	504 658	(1 498 805)
	3 707 290	**1 407 380**

Notes to the Annual Financial Statements

	2018 R	2017 R

34. Employee related costs

Basic	73 245 525	69 037 404
Medical aid - company contributions	4 370 549	3 664 254
UIF	633 270	609 088
WCA	2 006 370	922
SDL	1 017 624	963 023
Group insurance	252 500	268 046
Industrial council levies	35 138	33 649
Experiential training	429 693	287 448
Defined contribution plans	13 982 650	13 192 583
Travel, motor car, accommodation, subsistence and other allowances	13 698 924	12 817 026
Overtime payments	3 814 621	4 376 213
Long-service awards	3 729 990	4 355 086
13th Cheques	5 762 564	5 103 072
Acting allowances	1 710 097	1 503 166
Housing benefits and allowances	677 584	746 342
Defined benefit plan expense	9 084 389	5 056 394
Stipends	932 000	172 000
	135 383 488	**122 185 716**

The employee costs above are split between key management personnel and other employees as tabulated below:

Key management personnel	5 914 631	6 640 525
Other employees	129 468 857	115 545 191
	135 383 488	**122 185 716**

Remuneration of municipal manager - Moakamela MI

Annual Remuneration	600 332	688 546
Travel Allowance	384 972	252 911
Acting Allowance	-	163 420
Contributions to UIF, Medical and Pension Funds	10 027	190 619
Other benefits	81 076	245 911
Cellphone Allowance	18 000	18 000
Leave paid out	-	258 550
	1 094 407	**1 817 957**

Remuneration of Chief Finance Officer - Mogano TJ

Annual Remuneration	479 731	266 108
Travel Allowance	333 905	185 605
Acting Allowance	-	81 270
Bonus	-	29 558
Contributions to UIF, Medical and Pension Funds	25 452	42 105
Other benefits	80 673	25 639
Cellphone Allowance	22 000	12 496
Leave paid out	-	77 470
	941 761	**720 251**

The incumbent was in an acting capacity from November 2016 to February 2017 after which he was appointed to the Chief Financial Officer position.

Notes to the Annual Financial Statements

	2018 R	2017 R

34. Employee related costs (continued)

Remuneration of director planning and development services - Maluleke HP

Annual Remuneration	493 167	484 708
Car Allowance	320 469	313 490
Contributions to UIF, Medical and Pension Funds	22 996	8 405
Other benefits	66 959	51 760
Cellphone Allowance	22 000	18 000
	925 591	**876 363**

Remuneration of director Community Services - Zungu H

Annual Remuneration	440 387	371 796
Travel Allowance	278 010	211 589
Acting Allowance	-	37 595
Contributions to UIF, Medical and Pension Funds	8 778	9 126
Other benefits	106 113	237 889
Cellphone Allowance	22 000	18 000
	855 288	**885 995**

Remuneration of Director corporate services - Mokoena SS (Acting from January 2018 to June 2018)

Annual Remuneration	175 752	-
Travel Allowance	89 214	-
Bonus	29 292	-
Contributions to UIF, Medical and Pension Funds	60 053	-
Other benefits	51 388	-
Cell phone Allowance	10 728	-
Acting Allowance	64 074	-
Leave paid out	84 312	-
	564 813	**-**

Remuneration of Director corporate services - Mashale TS (Acting from July 2017 to December 2017)

Annual Remuneration	175 752	-
Travel Allowance	89 214	-
Contributions to UIF, Medical and Pension Funds	61 596	-
Other benefits	108 810	-
Cell phone Allowance	10 728	-
Acting Allowance	91 920	-
	538 020	**-**

Remuneration of Technical services - Mahumani S (Acting from June 2018)

Annual Remuneration	29 292	-
Travel Allowance	17 543	-
Contributions to UIF, Medical and Pension Funds	8 429	-
Other benefits	15 999	-
Cell phone Allowance	1 788	-
Acting Allowance	9 837	-
	82 888	**-**

	2018 R	2017 R

34. Employee related costs (continued)

Remuneration of Technical services director - Lourens CJ (Acting from December 2017 to May 2018)

Annual Remuneration	270 851	-
Travel Allowance	180 565	-
Contributions to UIF, Medical and Pension Funds	5 388	-
Other benefits	22 016	-
Cell phone Allowance	12 516	-
Acting Allowance	14 676	-
	506 012	**-**

Remuneration of Technical services director - Mpharalala K (Upto October 2017)

Annual Remuneration	159 574	431 796
Travel Allowance	122 132	366 396
Contributions to UIF, Medical and Pension Funds	13 209	9 870
Other benefits	27 873	46 925
Cell phone Allowance	6 000	18 000
Leave paid out	77 062	-
	405 850	**872 987**

Remuneration of municipal manager - Sebashe SS (until December 2016)

Annual Remuneration	-	468 101
Car Allowance	-	297 620
Contributions to UIF, Medical and Pension Funds	-	10 944
Other benefits	-	50 103
Leave paid out	-	312 414
	-	**1 139 182**

Remuneration of Chief Finance Officer - Ndzimande AT (Acting until October 2016)

Annual Remuneration	-	128 838
Travel Allowance	-	55 397
Acting Allowance	-	84 612
Contributions to UIF, Medical and Pension Funds	-	38 984
Other benefits	-	13 298
Cell phone Allowance	-	6 661
	-	**327 790**

35. Remuneration of councillors

Mayor	840 574	822 547
Mayoral Committee Members	3 465 291	1 295 219
Speaker	753 752	683 147
Councillors	8 637 296	8 673 993
Chief Whip	667 987	660 791
	14 364 900	**12 135 697**

36. Depreciation and amortisation

Property, plant and equipment	71 230 869	101 093 854
Intangible assets	438 486	429 838
	71 669 355	**101 523 692**

Notes to the Annual Financial Statements

	2018 R	2017 R

37. Impairment of assets

Impairments		
Property, plant and equipment	-	671 028
Inventories The municipality wrote off the inventories damaged and obsolete.	48 171	-
Trade and other receivables Receivables were impaired following objective evidence of non recovery using past history and knowledge of the customers.	159 344 774	229 497 297
	159 392 945	**230 168 325**

The main classes of assets affected by impairment losses are consumer debtors, receivables from non-exchange receivables and inventory.

38. Finance costs

Non-current borrowings	9 362 567	9 440 648
Finance leases	2 494	24 347
Late payment of suppliers	286 461	325 248
Discounting of provisions	6 570 201	-
	16 221 723	**9 790 243**

39. Bulk purchases

Electricity	75 016 186	81 354 073

Included in the electricity bulk purchases is the 20.3% (2017: 22.9%) which relate to distribution losses. Ba-Phalaborwa Municipality gets billed by Eskom on a monthly basis for electricity used/or given to Ba-Phalaborwa Municipality based on readings.Therefore the amount paid to/billed by Eskom includes electricity losses of R 20 394 504 (2017: R 24 383 986). The loss in terms of Units amounted to 17 222 601 kWh (2017: 19 861 878.30 kWh).

40. Contracted services

Agency Services	1 596 988	9 053 950
Security Services	9 389 175	7 762 636
Insurance	1 377 599	1 185 084
Operating Leases	300 923	305 185
Actuarial and Accounting Services	4 548 347	6 146 291
Legal fees	6 288 070	5 882 829
Meter readings	791 061	124 160
	24 292 163	**30 460 135**

Notes to the Annual Financial Statements

	2018 R	2017 R

41. General expenses

Accommodation	2 623 885	2 517 746
Administration fees	-	264
Advertising and marketing campaigns	1 078 872	1 576 012
Assets expensed	995	474
Audit and risk committee remuneration	1 174 543	981 225
Auditors remuneration	5 012 199	4 989 277
Bank charges	482 758	600 451
Landfill site restoration expenses	(1 197 238)	-
Bursaries	495 196	316 807
Cleaning	24 932	17 299
Commission paid	1 796 841	1 703 397
Consulting and professional fees	-	1 172 762
Consumables	1 694 769	1 684 523
Electricity non-bulk purchases	4 515 847	4 516 074
Energy efficiency and demand side management	80 287	-
Entertainment	483 743	345 326
Expanded Public Works Program expenses	1 190 088	941 558
Financial management grant expenses	5 392 118	1 296 565
Fuel and oil	2 565 444	2 392 216
Hire of equipment	5 969 641	4 186 929
IT expenses	665 846	181 649
Indigent support	4 890 436	1 123 466
Internet and connectivity	44 832	51 634
Loud-hailing	201 780	227 060
Motor vehicle licence fees	297 847	132 426
Occupational health and safety	204 822	178 241
Placement fees	475 315	214 810
Postage and courier	694 056	678 301
Pounding	120 000	-
Printing and stationery	3 068 775	2 642 098
Project maintenance costs	2 683 483	2 424 769
Protective clothing	1 680 422	1 669 792
Public participation	2 126 729	1 878 888
Purchase of prepaid boxes	140 317	196 849
Repairs and maintenance	15 281 667	15 931 073
Sewerage and waste disposal	-	369
Staff welfare	508 840	464 096
Strategic sessions	537 243	865 218
Subscriptions and membership fees	3 196 068	3 074 131
Telephone and fax	1 831 942	1 862 066
Title deed search fees	100 664	206 141
Training	3 482 490	2 768 908
Travel - local	3 103 172	2 798 056
	78 721 666	**68 808 946**

42. Fair value adjustments

Investment property	1 248 587	(803 280)
Biological assets	53 409	(2 953)
	1 301 996	**(806 233)**

43. Auditors' remuneration

Fees	5 012 199	4 989 277

Notes to the Annual Financial Statements

	2018 R	2017 R

44. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Gain (loss) on sale of property, plant and equipment	1 103 295	(96 160)
Impairment on property, plant and equipment	-	671 028
Impairment on trade and other receivables	159 344 774	229 497 297
Gain on biological assets and agricultural produce	212 591	-
Amortisation on intangible assets	438 486	429 838
Depreciation on property, plant and equipment	71 230 869	101 093 854
Employee costs	149 748 388	134 923 470

45. Cash generated from operations

Deficit	(130 222 375)	(298 739 042)
Adjustments for:		
Depreciation and amortisation	71 669 355	101 523 692
(Loss) gain on sale of assets and liabilities	(1 103 295)	96 160
Fair value adjustments	(1 301 996)	806 233
Finance costs - Finance leases	2 494	24 347
Finance costs	16 219 229	9 765 896
Impairment	159 392 945	230 168 325
Movements in operating lease assets and accruals	-	(185 294)
Movements in retirement benefit assets and liabilities	6 812 000	(6 358 000)
Prior period adjustments	-	(89 801 092)
Other non-cash items in property, plant and equipment	(6 746 166)	(5 476 288)
Biological assets written off	212 591	-
Landfill site restoration expenses	(1 197 238)	-
Changes in working capital:		
Inventories	1 297 776	108 818 588
Consumer debtors	(29 675 128)	20 134 854
Other receivables from non-exchange transactions	(66 497 036)	(47 124 152)
Payables from exchange transactions	46 168 540	7 522 810
VAT	(6 991 870)	21 892 231
Unspent conditional grants and receipts	555 619	(1 157 358)
Consumer deposits	39 243	2 044 951
	58 634 688	**53 956 861**

Notes to the Annual Financial Statements

	2018 R	2017 R

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	101 540 749	67 230 873
Total capital commitments		
Already contracted for but not provided for	101 540 749	67 230 873

Authorised operational expenditure

Already contracted for but not provided for		
• Operational expenditure	30 233 506	16 830 038
Total operational commitments		
Already contracted for but not provided for	30 233 506	16 830 038

Total commitments

Total commitments		
Authorised capital expenditure	101 540 749	67 230 873
Authorised operational expenditure	30 233 506	16 830 038
	131 774 255	**84 060 911**

This committed expenditure relates to property, plant and equipment as well as operational expenditure. This will be financed by available grants funds, retained surpluses, existing cash resources and funds internally generated.

	2018 R	2017 R

47. Contingencies

Litigation is in the process against the municipality relating to various disputes detailed below:

Contingent liabilities		
Makwande Chartered Accountants and Business Advisors	2 734 105	2 734 105
Tlhoala Dynamic (Pty) Ltd	3 039 811	3 039 811
LE Thom	1 294 797	1 294 797
Thaki William Mojapelo and Masako Mary Mojapelo	16 046 000	15 946 000
Tippuprox (Pty) Ltd	5 528 500	5 580 300
Millioniers Club CC	1 650 000	1 650 000
Malatji Khensani Eulender	1 200 000	1 200 000
Thaki William Mojapelo and Masako Mary Mojapelo 2	300 000	300 000
Kgopotso Lekgothwane	2 600 000	650 000
Molau Devyton Malatji	10 300 000	10 300 000
Lizzy Mathebula	77 597	-
Christoffel Smith	89 115	-
Lazwi Engineering	1 259 715	-
Juxtapose (Pty) Ltd	3 690 587	-
Mahlatse Patience Ramoshaba	-	60 895
Aubrey Fumani Mushwana	-	1 172 083
Maramanyane Gilbert Mamoshidi	-	9 000
Morare Freddy Masekwameng	-	350 000
SAMWU obo Mkansi and others	224 000	244 000
Mavambo ITS	677 130	677 130
	50 711 357	**45 208 121**

1. Makwande Chartered Accountants: The matter relates to the preparation of municipal financial statements for the year ended 30 June 2009. The claimant failed to deliver the reports and the contract was terminated. The claimant is now claiming unpaid fees debt amounting to R2 734 105 inclusive of estimated legal fees. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The R2 734 105 represents the total possible liability by the municipality, according to the legal advisors. Makwande Chartered Accountants requested the court to amend their claim. The request was granted. The municipality opposed the amendment based on the fact that contract entered into by the municipality can only be in writing. Date of argument of this point is the 20th of August 2018.

2. Tlhoala Dynamic (Pty) Ltd: This entity was engaged by the municipality to compile and supplement valuation roll and they are claiming that they were underpaid by R2 689 811 and therefore are suing for the shortfall. Included in the amount above is the estimated legal costs resulting in a total contingent liability of R3 039 811. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful and court process is ongoing. The municipality also has a counter claim against Tlhoala Dynamics over monies overpaid to it estimated to be R4 927 624.

3. LE Thom: LE Thom cites that they could not perform certain contractual obligations after being prevented from doing so by the municipality. The municipality on the other hand, claims failure to perform was not caused by the municipality. The claim including estimated legal costs amounts to R1 294 797. The matter has been set for hearing on the 7th of October 2019. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful.

4. Thaki William Mojapelo and Masako Mary Mojapelo: The plaintiffs bought erven 26, 27 and 28 in the industrial area and they allege that the municipality failed to transfer the properties in their names. As such, they are seeking cancellation of the sale agreement and refund of the purchase price which is alleged to be R46 520 with interest or the transfer of the properties and payment of R15 500 000.00 in damages for loss of business. The legal advisors estimate the total possible cost to be R16 046 000. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful.

5. Tippuprox (Pty) Ltd: The company is suing the municipality for a tender they were previously awarded only to be cancelled following uncovering of misrepresentations made during the tendering process by the owner of the company. The company raised a claim against the municipality which the legal advisors estimate to be R 5 528 500. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The municipality also has a counter claim amounting to R650 000 in this case.

Notes to the Annual Financial Statements

	2018 R	2017 R

47. Contingencies (continued)

6. Millioniers Club CC: The claim arose due to a contractual dispute between the plaintiff and the municipality over unpaid invoices. The municipality cites that these are invalid while the plaintiff believes they have a valid claim. The claim is estimated by legal counsel to be R1 650 000 including estimated legal fees. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The municipality also has a counter claim amounting to R776 262 in this case.

7. Malatji Khensani Eulender: Malatji Khensani Eulender is suing the municipality for damages following bodily injuries suffered by her child when a water tank fell on her child while fetching water. She sites that the municipality had erected a poor-quality tank stand which could not fully support the weight of the water tank. The legal advisors confirmed the total possible liability to be R1 200 000. The lawyers of the municipality are unable to ascertain the likelihood of action against the municipality being successful.

8. Thaki William Mojapelo and Masako Mary Mojapelo: The plaintiffs are requesting the court to nullify the approval of sale of erf 3644 between the estate of the late Jackson Mogudi and Charmakala Group by the municipality citing that they owned the erf. The municipality approved because records at deeds office showed that the erf was owned by the estate of the late Mogudi and not the plaintiffs. The legal advisors confirmed the total possible liability to be R300 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

9. Kgopotso Lekgothwane: Summons against the municipality in the amount of R2 500 000 for an alleged negligent failure by the municipality to barricade a ditch which had been dug up by municipal workers, resulting in the plaintiff falling in it and getting seriously injured. The legal advisors confirmed the total possible liability to be R2 500 000.

10. SAMWU obo Mkansi and others: This relates to employment issues where the complainant are suing the municipality citing unfair labour practices. The legal advisors confirmed the total possible liability to be R224 000.

11. Lizzy Mathebula issued summons in the amount of R7 597 for an alleged pothole damage to her vehicle caused by an alleged pothole on a road at Matikoxikaya. The legal advisors confirmed the total possible liability to be R77 597 including legal fees.

12. Christoffel Smith issued summons in the amount of R14 115 for an alleged damage caused to his vehicle by an alleged pothole on a municipal road. The legal advisors confirmed the total possible liability to be R89 115 including legal fees.

13. Lazwi Engineering is demanding payment in the amount of R1 009 715 for work done when they upgraded the Tambo street at Namakgale. While Thsiamiso 135 demands payment of R1 168 669 for work they allege that they did the work bases on specifications which had been made by the municipality’s engineers, Lazwi engineering which turned out that they were wrong. The municipality paid Lazwi Engineering only R1 009 715 the balance being their liability for Tshiamiso 135. The legal advisors confirmed the total possible liability to be R1 259 715. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

14. Juxtapose (Pty) Ltd was engaged by the municipality to design extension of municipal offices for an amount of R1 766 988. They allege that they did the work of which R768 642 is outstanding and further that they were orally requested to do further work which amounted to R2 471 945. The total amount they claim is R3 240 587. The legal advisors confirmed the total possible liability to be R3 690 587. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

15. Molau Devyton Malatji issued summons against the municipality in the amount of R10 000 000 for alleged illegal termination of the brickyard lease agreement. Molau Devyton Malatji brought the matter back at court because the court had dismissed his case previously based on his absence from court. The legal advisors confirmed the total possible liability to be R10 300 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

16. Mavambo ITS: The municipality is suing Mavambo ITS to repay the municipality R3 059 810 emanating from overpayments made. The municipality cites that Mavambo ITS continued to bill the municipality using originally agreed terms despite the changes which were subsequently agreed upon. Mavambo ITS, on the other hand, disputes this allegation and believe that the municipality owes them R177 130. Summons have been issued against Mavambo ITS. The legal advisors confirmed the total possible liability to be R677 130 including legal fees. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

	2018 R	2017 R

47. Contingencies (continued)

17. Morare Freddy Masekwameng: He wanted the sale of erf 2266 Extension Phalaborwa to Mr. and Mrs. Johan Behrens declared invalid and that all monies paid to the municipality be paid back and the erf's ownership revert to the municipality because the erf was, in his view, not sold procedurally. The legal advisors confirmed the total possible liability was estimated to be R350 000 including legal fees. The case was finalised during the year.

18. Mahlatse Patience Ramoshaba was suing the municipality for an alleged pothole damage to her vehicle resulting from hitting a pothole along the R71 road. The legal advisors confirmed the total possible liability was R60 895 including legal fees. The Case was finalised during the year.

19. Aubrey Fumani Mushwana issued summons against the municipality in the amount of R772 083 for an alleged breach of disciplinary settlement agreement. The plaintiff alleged that municipal representative agreed to a settlement proposal during negotiations with a view to settle the disciplinary matter amicably. The proposal had to be accepted by council first and it was discovered that he attempted to settle long after he had been employed elsewhere without council knowledge. The legal advisors confirmed the total possible liability was R1 172 083 including legal fees. The case was finalised during the year.

20. Maramanyane Gilbert Mamoshidi: He was an employee of the municipality. He was to attend a course at the expense of the municipality. He did not attend due to cancellation or postponement. He resigned immediately thereafter. According to the contract he had with the municipality, in the event he did not attend, he had to pay back the R22 000 the municipality had paid for him. He eventually signed a consent form wherein he agreed that the amount be deducted from his pension. He turned around and sued the municipality. In the meantime, the service provider paid back the municipality R13 000 which was transferred to him. He was suing for R9 000 at the end of previous year. The Case was finalised during the year.

Contingent assets

	2018 R	2017 R
Ziyaphenduka Promotions CC	600 000	1 200 000
Geldenhys' estate	32 000	32 000
Mavambo ITS	3 059 810	3 059 810
Mbiyani Florence Chauke	200 000	-
Mr Chiloane	-	21 000
	3 891 810	**4 312 810**

1. Ziyaphenduka Promotions CC: The municipality is suing Ziyaphenduka Promotions CC and summons were issued to force them to account on all amounts collected during the Marula Festival. The municipality obtained an order wherein Ziyaphenduka was ordered to furnish accounts so that the municipality can claim its 20% of the income plus the remaining R600 000 but Ziyaphenduka failed to do so. The municipality has applied for contempt of court.

2. Geldenhys' estate: The matter relates to acquisition of two properties of the late G J Geldenhys being Erf 141 and Erf 241 Leydsdorp with a total value of R300 000 to be transferred to the Ba-Phalaborwa Municipality owing to the fact that the diseased died insolvent and that he owed the Municipality rates and taxes which amount far exceeds the value of the properties concerned. Application for the transfer has been lodged.

3. Mavambo ITS: The municipality is suing Mavambo ITS to repay the municipality R3 059 810 emanating from overpayments made. The municipality cites that Mavambo ITS continued to bill the municipality using originally agreed terms despite the changes which were subsequently agreed upon. Mavambo ITS, on the other hand, disputes this allegation and believe that the municipality owes them R177 130. Summons have been issued against Mavambo ITS.

4. Mbiyani Florence Chauke: The former employee negligently infringed Greater Kruger Tourism CC's copyright as a result the municipality had to pay R200 000 in settlement. Summons have been issued against the former employee to recover the settlement fees paid by the municipality.

Legal Fees

The municipality is pursuing the above contingent asset cases. It also has lodged cases against residents for contravening building standards and regulations act and town planning scheme. The municipality will incur legal costs on these cases in future. These fees have been estimated by the attorneys as tabulated below:

Notes to the Annual Financial Statements

	2018 R	2017 R

47. Contingencies (continued)

Geldenhys' estate	200 000	60 000
Ziyaphenduka Promotions CC	430 000	430 000
Mbiyani Florence Chauke	80 000	-
Various cases against residents [1]	600 000	570 000
	1 310 000	**1 060 000**

[1] Cases against residents: These are various cases lodged by the municipality against residents for contravening the Building Standards Act 103 of 1977 and town planning scheme regulations.

48. Related parties

Relationships

Accounting Officer	Moakamela MI
Other members of key management	T.J. Mogano - Chief financial officer H. Zungu - Director community services S.S. Mokoena - Acting Director corporate servics S. Mahumani - Acting Director technical services H.P. Maluleke - Director planning and development services
Mayor	Cllr.PJ Shayi
Mayoral committee	Cllr.MM Malatji - Speaker Cllr.E Hlungwane - Chief Whip Cllr. SL Mohlala - Member of Exco. Cllr. T Nkuna - Member of Exco Cllr. MS Magomane - Member of Exco Cllr. SR De Beer - Member of Exco Cllr. MM Malesa - Member of Exco Cllr. AN Mmola - Member of Exco
Councillors	Cllr. K.O. Pilusa - MPAC Chairperson Cllr. R Makasela Cllr. K.A. Peta Cllr. K.P. Mhlarhi Cllr. S.T. Mkanzi Cllr. B. Ramothwala Cllr. N.J. Mampuru Cllr. M.E. Mokgalaka Cllr. Z. Ndlovu Cllr. E.A. Mokoena Cllr. P.K. Mashego Cllr.S.P. Mashumu Cllr. L.M. Matlala Cllr. V.M. Rapatsa Cllr. T.C. Malatjie Cllr. P.S. Dikgale Cllr. T.S. Ndlovu Cllr. G.H. Lamola Cllr. A. Ngobeni Cllr. M.R.S. Williamson Cllr. S.M. Shayi Cllr. D.R. Bayana Cllr. M.M.A. Mathebula Cllr. R.J. Mphogo Cllr. N.B. Maake Cllr. M.J. Valoyi Cllr. S.K. Shai
District municipality [1]	Mopani District Municipality

[1]. The municipality has an Agency relationship with its District Municipality, Mopani District Municipality. Under this agreement the municipality carries out Water Service functions as the Water Services Provider (WSP) in respect of provision of water and sewerage services to the residents on behalf of Mopani District Municipality (as the Water Services Authority). The Municipality receives agency fees for these services in terms of the agency arrangement.

	2018 R	2017 R

48. Related parties (continued)

Related party balances

	2018 R	2017 R
Loan accounts - Owing (to) by related parties		
Mopani District Municipality	(200 972 377)	(153 613 178)

Related party transactions

	2018 R	2017 R
Agency fees received from related parties		
Mopani District Municipality	2 736 934	5 605 902

Remuneration of management

Councillors/Mayoral committee members

2018

Name	Basic salary	Cell phone Allowance	Reimbursive expenses	Travel & subsistence Allowance	Total
Cllr. A. Ngobeni	205 088	30 300	-	60 890	296 278
Cllr. A.N. Mmola	265 412	30 300	-	80 506	376 218
Cllr. B. Ramothwala	205 088	30 300	6 594	61 920	303 902
Cllr. D.R. Bayana	205 088	30 300	13 057	63 750	312 195
Cllr. E. Hlungwane	465 948	30 300	24 797	146 943	667 988
Cllr. E.A. Mokoena	205 088	30 300	9 858	61 508	306 754
Cllr. K.A. Peta	205 088	22 800	7 740	61 714	297 342
Cllr. K.O. Pilusa	259 200	30 300	38 581	81 747	409 828
Cllr. K.P. Mhlarhi	205 088	30 300	-	60 890	296 278
Cllr. L.M. Matlala	205 088	30 300	3 324	61 405	300 117
Cllr. M.E. Mokgalaka	205 088	30 300	8 024	63 337	306 749
Cllr. M.J. Valoyi	205 088	30 300	6 020	63 132	304 540
Cllr. M.M. Malatji	492 470	30 300	70 815	160 167	753 752
Cllr. M.M. Malesa	467 197	30 300	34 487	148 356	680 340
Cllr. M.M.A. Mathebula	205 088	30 300	6 143	61 817	303 348
Cllr. M.S. Magomane	467 197	30 300	27 046	147 032	671 575
Cllr. N.A. Sono	205 088	30 300	-	60 890	296 278
Cllr. N.B. Maake	205 088	30 300	-	60 890	296 278
Cllr. N.J. Mampuru	205 088	30 300	20 825	62 464	318 677
Cllr. P.J. Shayi	612 962	30 300	128	197 184	840 574
Cllr. P.K. Mashego	205 088	30 300	9 502	64 059	308 949
Cllr. P.S. Dikgale	205 088	30 300	8 339	61 508	305 235
Cllr. R. Makasela	205 088	30 300	3 445	61 534	300 367
Cllr. R.J. Mphogo	205 088	30 300	-	60 890	296 278
Cllr. S.G.H. Lamola	205 088	30 300	11 056	62 023	308 467
Cllr. SMRS Williamson	205 088	30 300	-	60 890	296 278
Cllr. S.K. Shai	205 088	30 300	-	60 890	296 278
Cllr. S.L. Mohlala	467 197	30 300	34 574	146 339	678 410
Cllr. S.M. Shayi	205 088	30 300	13 800	64 059	313 247
Cllr. S.P. Mashumu	205 088	30 300	9 331	63 253	307 972
Cllr. S.R. De Beer	266 612	30 300	4 625	81 897	383 434
Cllr. S.T. Mkanzi	205 088	30 300	7 221	63 750	306 359
Cllr. T. Nkuna	467 197	30 300	31 251	146 567	675 315
Cllr. T.C. Malatjie	205 088	30 300	8 980	65 983	310 351
Cllr. T.S. Ndlovu	205 088	30 300	2 527	60 993	298 908
Cllr. V.M. Rapatsa	205 088	30 300	37 717	65 235	338 340
Cllr. Z. Ndlovu	205 088	30 300	3 884	62 429	301 701
	9 768 768	**1 113 600**	**463 691**	**3 018 841**	**14 364 900**

Notes to the Annual Financial Statements

	2018 R	2017 R

48. Related parties (continued)

2017

Name	Basic salary	Cell phone Allowance	Reimbursive expenses	Travel & subsistence Allowance	Total
Cllr. A. Ngobeni	162 140	20 532	-	52 902	235 574
Cllr. A.N. Mmola	216 540	20 532	-	71 110	308 182
Cllr. B. Ramothwala	181 871	22 800	3 644	59 349	267 664
Cllr. B.R. Mashale	19 731	2 268	-	6 447	28 446
Cllr. D.M. Rapatsa	19 731	2 268	-	6 447	28 446
Cllr. D.R. Bayana	162 140	20 532	11 139	52 902	246 713
Cllr. E. Hlungwane	387 006	20 532	37 693	127 985	573 216
Cllr. E.A. Mokoena	162 140	20 532	3 280	52 902	238 854
Cllr. I.F. Mpenyane	48 513	2 268	-	16 041	66 822
Cllr. J.G. Mashele	26 178	2 268	-	-	28 446
Cllr. K.A. Otto	19 731	2 268	-	6 447	28 446
Cllr. K.A. Peta	189 124	22 800	14 173	61 767	287 864
Cllr. K.E. Mahomane	19 731	2 268	-	6 447	28 446
Cllr. K.O. Pilusa	204 249	20 532	15 097	69 840	309 718
Cllr. K.P. Mhlarhi	181 871	22 800	2 177	59 349	266 197
Cllr. K.S. Malatji	26 984	2 268	7 453	8 864	45 569
Cllr. L.M. Matlala	162 140	20 532	1 956	52 902	237 530
Cllr. M.D. Maake	51 330	2 268	-	17 110	70 708
Cllr. M.E. Mokgalaka	162 139	20 532	6 110	52 902	241 683
Cllr. M.G. Malesa	19 731	2 268	-	6 447	28 446
Cllr. M.J. Valoyi	162 140	20 532	2 784	52 902	238 358
Cllr. M.M. Malatji	492 426	24 539	78 083	163 947	758 995
Cllr. M.M. Malesa	321 709	21 061	27 519	106 136	476 425
Cllr. M.M.A. Mathebula	162 140	20 532	730	52 902	236 304
Cllr. M.O. Makwala	25 211	2 268	8 530	8 273	44 282
Cllr. M.P. Kgoete	19 731	2 268	-	6 447	28 446
Cllr. M.R. Monareng	19 731	2 268	-	6 447	28 446
Cllr. M.R. Popela	19 640	2 268	-	6 447	28 355
Cllr. M.S. Chauke	19 731	2 268	-	6 447	28 446
Cllr. M.S. Magomane	398 282	22 800	18 679	131 561	571 322
Cllr. M.S. Mokgalaka	19 731	2 268	-	6 447	28 446
Cllr. M.V. Mathebula	19 731	2 268	-	6 447	28 446
Cllr. N.A. Sono	251 797	24 539	-	82 719	359 055
Cllr. N.B. Maake	162 140	20 532	1 662	52 902	237 236
Cllr. N.J. Mampuru	162 140	20 532	7 322	52 902	242 896
Cllr. P.G. Mabilo	19 731	2 268	-	6 447	28 446
Cllr. P.J. Shayi	511 131	20 532	6 485	170 360	708 508
Cllr. P.K Mashego	162 140	20 532	4 782	52 902	240 356
Cllr. P.S. Dikgale	162 140	20 532	857	52 902	236 431
Cllr. P.S. Mthombeni	19 731	2 268	-	6 447	28 446
Cllr. R. Makasela	181 871	22 800	7 517	59 349	271 537
Cllr. R.J. Mphogo	162 137	20 532	-	52 902	235 571
Cllr. S.G.H. Lamola	162 140	20 532	-	52 902	235 574
Cllr. S.H.S Booysen	19 731	2 268	-	6 447	28 446
Cllr. S.M.R.S. Williamson	162 130	20 532	-	52 902	235 564
Cllr. S.G. Mokoele	25 651	2 949	-	8 381	36 981
Cllr. S.K. Shai	151 617	19 322	-	49 464	220 403.00
Cllr. S.I. Mohlala	426 673	22 800	22 143	141 155	612 771
Cllr. S.M. Shayi	162 140	20 532	7 678	52 902	243 252
Cllr. S.P. Mashumu	162 140	20 531	6 423	52 902	241 996
Cllr. S.R. De Beer	243 523	22 800	2 950	79 974	349 247

Notes to the Annual Financial Statements

				2018 R	**2017 R**

48. Related parties (continued)

Cllr. S.R. Nkuna	19 731	2 268	1 830	6 447	30 276
Cllr. S.T. Mkanzi	181 871	22 800	3 152	59 349	267 172
Cllr. T.C. Malatjie	162 140	20 532	5 577	52 902	241 151
Cllr. T. Nkuna	405 535	22 346	31 820	133 978	593 679
Cllr. T.G. Malatji	19 731	2 268	-	6 447	28 446
Cllr. T.M. Malobane	19 731	2 268	-	6 447	28 446
Cllr. T.S. Ndlovu	162 140	20 532	4 984	52 902	240 558
Cllr. V.M. Rapatsa	162 140	20 532	12 292	52 902	247 866
Cllr. V.P. Mapanzela	19 731	2 268	-	6 447	28 446
Cllr. Z. Ndlovu	162 140	20 532	1 618	52 902	237 192
	8 728 816	**842 087**	**368 139**	**2 860 147**	**12 799 189**

Remuneration paid to key management personnel

Details of remuneration paid to key management personnel have been disclosed on note 34 "Employee related costs".

Notes to the Annual Financial Statements

49. Prior period errors

During the year, the municipality discovered material, errors that affected previous years. All the errors were corrected retrospectively. The nature, details and effects of the errors are shown in the table below.

Error details and the effect on surplus/(deficit	2017 R (Inc)/Dec	2016 R (Inc)/Dec	Accumulated Surplus R (Inc)/Dec
The Municipality discovered that it wrongly posted some expenses to creditors in the previous year.	6 525	-	-
Interest free loan incorrectly reflected in the books at nominal value instead of discounted present value.	9 440 648	(39 517 633)	-
Mopani water meter reading and plumbing costs incorrectly accounted as Ba-Phalaborwa Municipality's own costs.	(1 651 863)	(1 583 133)	-
Prior year debit order transactions were not allocated to expense accounts.	22 571	-	125
Certain training expenses was incorrectlty allocated to Salaries control account instead of the expense accounts.	31 500	-	-
The Municipality incorrectly depreciated certain Lulekani community assets beyond their carrying amount thereby creating negative assets.	-	(108 400)	-
The Municipality made various errors in recording finance lease entries in relating to certain leases of motor vehicles and office equipment.	19 644	-	(487 451)
The Municipality incorrectly maintained an operating lease liability on its Statement of Financial Position instead of reversing it on payment. The liability remained recognised well after the leases expired.	-	(185 294)	-
Certain bank errors were posted to suspense accounts. The Municipality did not transfer them to the various expense accounts following investigation and identification.	14	(811 479)	-
The Municipality incorrectly recognised certain water meter reading expenses inclusive of VAT in the previous year.	(829 227)	-	-
In the previous years, the Municipality incorrectly accounted for Water Services employees' bonus provision as if it's their obligation instead of passing it on to Mopani District Municipality.	(63 495)	(81 281)	-
In the previous years, the Municipality incorrectly accounted for Water Services employees' leave provision as if it's their obligation instead of passing it on to Mopani District Municipality.	(427 696)	(503 304)	-
In the previous year the Municipality overstated deferred income on prepaid electricity sales.	(3 464 042)	-	-
The Municipality collected license fees on behalf of third parties and incorrectly accounted for them as income. These fees were subsequently paid over to the third parties in current year.	726 016	-	-
The Municipal Rental income from investment properties was understated in the previous year.	(9 555)	-	-

Notes to the Annual Financial Statements

49. Prior period errors (continued)

Certain expenses were overstated by the failure to correctly apply the VAT apportionment ratio as given by SARS.	(1 762 145)	(2 753 738)	-
The Municipality made an error in the previous year by including Long service award provision for Water Services employees as its own liability instead of passing it on to Mopani District Municipality.	(433 306)	-	-
The Municipality discovered certain instances where it continued to carry retention liabilities on its Statement of Financial Position despite having paid them off after the expiry of the defect liability period.	-	-	(1 205 057)
During the finalisation of current year financial statements, the Municipality discovered that certain expenditure incurred on work in progress projects were incorrect expensed as general expenditure in the Statement of Financial Performance in the previous years.	-	(5 437 228)	-
The Municipality omitted some processing of some indigent support subsidy in the previous year.	2 743 935	-	-
During the course of current year the Municipality discovered bad debts amounting to R500 617 which were not accounted for in previous years.	-	-	500 617
The Municipality overstated its post-retirement medical liability in the previous year by including the Water Services employees portion into its obligation instead of passing this on to Mopani District Municipality.	(5 018 000)	-	-
During the process of preparing financial statements for current year, the Municipality discovered that it understated traffic fines income for the previous financial year.	(3 384 332)	-	-
The Municipality understated the amount of impairment on receivables from non-exchange transactions.	3 052 152	-	-
The Municipality incorrectly reconginised certain revenue received in advance as if it was revenue in the previous financial year. The error was discovered and corrected in current year retrospectively.	300 024	-	-
The Municipality identified and corrected errors involving cases where it has been billing its own properties for municipal service charges. These were quantified and reversed retrospectively to correct all the revenue overstatements from prior years.	38 406 078	2 896 176	-
The recalculation of property rates in current year revealed that the Municipality understated property rates in the previous year. The previous year's financial statements were corrected retrospectively.	(502 799)	-	-
During the preparation of financial statements of current year, the Municipality discovered that it continued to carry some creditors on its books despite having these been settled. The error was corrected retrospectively.	-	-	(2 118 324)
The Municipality understated depreciation on movable assets in the prior year. This was discovered in the process of finalising financial statements for current year and corrected retrospectively.	163 830	-	-
During the current year, the Municipality discovered that it understated the value of its biological assets for the previous year. The error was corrected retrospectively.	(138 378)	-	-

Notes to the Annual Financial Statements

49. Prior period errors (continued)

The Municipality understated the amount of impairment on receivables from exchange transactions. This was discovered during the process of finalising current year financial statements and corrections were done retrospectively.	(61 510 672)	-	-
During the current financial year, the Municipality discovered errors relating to prepaid electricity which happened in the previous year. The impact of these errors was to understate revenue in previous financial year. The corrections were made retrospectively.	(1 261 251)	-	-
During the current financial year, the Municipality discovered errors which occurred in the previous year relating to stock issues which were incorrectly recorded as inventory impairment. Corrections were made retrospectively.	(4 034 571)	-	-
The Municipality misstated depreciation on community assets in the previous years. Correction of the errors was done retrospectively.	866 251	-	-
	(28 712 144)	**(48 085 314)**	**(3 310 090)**

The impact of corrections of these errors as well as reclassifications on the Statement of Financial Performance and Statement of financial Position are as follows:

Statement of financial position	As previously disclosed R	Reclassifications and correction of errors R	Restated R
Inventories	336 546 610	71 732	336 618 342
Receivables from non-exchange transactions	52 275 322	(3 070 413)	49 204 909
VAT receivable	8 432 687	(14 024 901)	(5 592 214)
Consumer debtors	27 552 425	(2 154 336)	25 398 089
Cash and cash equivalents	17 028 227	9 555	17 037 782
Biological assets that form part of an agricultural activity	125 331	138 379	263 710
Property, plant and equipment	854 719 991	7 046 787	861 766 778
Other financial liabilities - currrent	(20 400 000)	14 462 567	(5 937 433)
Finance lease obligation	(152 995)	69 105	(83 890)
Payables from exchange transactions	(255 082 729)	32 138 575	(222 944 154)
Operating lease liability	(185 294)	185 294	-
Other financial liabilities: non-current	(136 700 000)	15 614 418	(121 085 582)
Employee benefit obligation	(41 964 000)	5 018 000	(36 946 000)
Provisions	(78 869 999)	(2 386 607)	(81 256 606)
Accumulated surplus	(764 609 151)	(53 118 155)	(817 727 306)
	(1 283 575)	**-**	**(1 283 575)**

Notes to the Annual Financial Statements

49. Prior period errors (continued)

Statement of financial performance	As previously disclosed R	Reclassifications and correction of errors R	Restated R
Service charges	108 144 270	(11 233 171)	96 911 099
Rental of facilities and equipment	344 564	9 555	354 119
Agency services	12 738 962	1 762 145	14 501 107
Sale of municipal land	1 491 368	(1 491 368)	-
Other income	1 999 845	(592 465)	1 407 380
Interest received	20 451 125	(15 734 882)	4 716 243
Property rates	90 683 224	(1 480 257)	89 202 967
Fines, penalties and forfeits	313 163	3 084 308	3 397 471
Employee related costs	(120 135 387)	(2 050 329)	(122 185 716)
Remuneration of councilors	(13 159 661)	421 907	(12 737 754)
Audit committee fees	(889 772)	889 772	-
Depreciation and amortisation	(100 228 117)	(1 295 575)	(101 523 692)
Impairment loss	(184 071 168)	(46 097 157)	(230 168 325)
Finance costs	(320 152)	(9 470 091)	(9 790 243)
Repairs and maintenance	(6 416 128)	6 416 128	-
Contracted services	(32 211 303)	1 751 168	(30 460 135)
General expenses	(54 075 948)	(14 732 998)	(68 808 946)
Gain (loss) on disposal of assets and liabilities	-	(96 160)	(96 160)
Fair value adjustments	(944 611)	138 378	(806 233)
	(276 285 726)	**(89 801 092)**	**(366 086 818)**

Corrections to perior period disclosures

During the Current year, the Municipality discovered and corrected prior period errors relating to disclosures previously made on commitments, contingent liabilities, contingent assets, irregular expenditure, Fruitless expenditure and unauthorised expenditure. These errors resulted in understatement of the disclosed amounts. Corrections were made to the disclosures of the previous financial year. The impact of the retrospective corrections is tabulated below.

Description	As previously disclosed R	Reclassifications and correction of errors R	Restated R
Commitments	84 111 050	50 139	84 161 189
Contingent Liabilities	42 096 188	3 111 932	45 208 120
Contingent assets	3 549 810	2 189 263	5 739 073
Unauthorised expenditure	60 004 203	122 332 265	182 336 468
Fruitless and wasteful expenditure	13 780 175	44 483	13 824 658
Irregular expenditure	153 004 530	135 212 905	288 217 435
	-	-	-

Notes to the Annual Financial Statements

	2018 R	2017 R

50. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are shown above.

51. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables from non-exchange transactions	33 846 925	49 204 909
Consumer debtors	10 449 534	25 398 089
Cash and cash equivalents	7 810 485	17 037 782

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Annual Financial Statements

	2018 R	2017 R

52. Unauthorised expenditure

Unauthorised expenditure at beginning of the year	182 336 468	60 004 203
Expenditure incurred during the year	68 675 685	122 332 265
	251 012 153	**182 336 468**

[1] The Unauthorised expenditure for the year was due to overspending of the municipal budget.The overspending was experienced in Planning and Development and Executive Council departments.

53. Fruitless and wasteful expenditure

Opening balance	13 824 658	12 950 244
Incurred in current year	196 569	874 414
	14 021 227	**13 824 658**

Current year fruitless and wasteful expenditure consist of:		
Interest -Eskom	110 972	825 233
Interest - SARS (PAYE,SDL,VAT)	78 488	35 544
Other- Interest charged by suppliers	7 109	13 637
	196 569	**874 414**

54. Irregular expenditure

Opening balance	288 217 435	136 459 593
Add: Irregular Expenditure - current year	37 361 036	16 544 937
Add: Irregular Expenditure - discovered in current year relating to previous years	-	135 212 905
	325 578 471	**288 217 435**

Analysis of expenditure awaiting condonation per age classification

Current year	37 361 036	16 544 937
Prior years	288 217 435	271 672 498
	325 578 471	**288 217 435**

		2018 R	2017 R

54. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Notes		
Tenders where advertisement was less than minimum required timeframe	**[1]**	3 674 391	
Tender document without clear evaluation criteria	**[1]**	547 155	
Bid not disqualified in accordance with the pre-determined objectives	**[1]**	1 395 873	
Awards without valid B-BBEE certificates	**[1]**	476 448	
Construction contracts not advertised on the CIDB website	**[1]**	2 151 177	
Bids awarded to bidders without a valid tax clearance certificate	**[1]**	3 885 829	
Lack of compliance registers at closing of bids	**[1]**	456 436	
Tenders awarded to bidders without signed declarations	**[1]**	678 988	
Various operational procurement made without following proper supply chain procedures	**[2]**	20 457 977	
Point score calculated incorrectly	[1]	3 636 762	
		37 361 036	

[1] These are various cases where the competitive bidding process was not followed to the full requirements of the procurement procedures, policies and legislation. These cases have been referred to the Municipal Public Accounts Committee for investigation afterwhich they will be referred to council for appropriate action.

[2] These relate to procurement of operational items including legal services, accommodation, catering, meter readings, valuation roll services and certain upgrades and maintenance to the municipal property among others. Procurement policies and procedures were not fully adhered to in securing these services. All the cases will be referred to the Municipal Public Accounts Committee for investigation.

Notes to the Annual Financial Statements

55. Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes in the annual financial statements.

Deviations for the period up to 30 June 2018

The amount for deviations as at 30 June 2018 is R 1 353 401.

Description	Reason	Supplier	Amount
Supply new cylinder, remove, fit and test cylinder	Agent of TFM Industries	Franks Engineering	21 842
Procurement of air compressor, pipe and labour for BVJ 775 L	Sole agents of Toyota products	NTT Toyota Phalaborwa	82 878
Radio communication	Sole supplier	Protec Communications	9 542
Emergency rental of Refuse removal compactor	Emergency rental of refuse removal compactor due to break down	Todipjane Transport & Trading	149 910
Master cylinder Kit and repair for Grader CBV 780 L	Accredited Agent of Badcock equipment	RGR Services	24 305
Hiring of an ambulance for Ba-Phalaborwa Munghana Lonene FM 2017 Women's day celebration	Only Local Hospital that can provide assistance	Maphuta Malatji Hospital	3 663
Emergency rental of Refuse removal compactor	Extension of the Emergency rental of refuse removal compactor	Todipjane Transport & Trading	149 910
Urgency to cut all three branches next to electrical cables	Sole supplier around Phalaborwa	M & E Suppliers Limpopo	26 083
Replacement of Traffic lights control at Standard Bank and Red School	Specialist on repairing the traffic lights around Phalaborwa	GMCA Engineers	38 874
Repair DSN 430 N	Ad-hoc repairs to equipment where impossible to ascertain the nature or extent of the work required in order to call for bids	Mundlovu Trading CC	79 688
Accommodation for Strategic Planning Session	Not Advertise for more than 7 days(The memorandum submitted is approved by Municipal Manager)	Sanbonani Resort Hotel	189 300
Brake Booster RHS for Nissan DGN 706 N	One quotation to supply from agent of Nissan	BB UD Tzaneen (Pty) Ltd	11 816
Parts needed to repair Grader CRR 890 L	Ad-hoc repairs to equipment where impossible to ascertain the nature or extent of the work required in order to call for bids	Barloworld Equipment	9 671
Repair starter motor for Nissan NP300 CJB 771 L	Ad-hoc repairs to equipment where impossible to ascertain the nature or extent of the work required in order to call for bids	Rhino Auto Electrical	1 329

Notes to the Annual Financial Statements

55. Deviations from supply chain management regulations (continued)

Supply and fit new starter motor and starter button on Nissan NP300 CJB 716 L	Ad-hoc repairs to equipment where impossible to ascertain the nature or extent of the work required in order to call for bids	Rhino Auto Electrical	4 421
Fixing of refuse compactor	One supplier that responded to our emergency request of fixing refuse truck in order for it to get to our mechanical workshop	Diplidania Trading 18	5 415
Strip and code for starter in respect of CJB 716L and CRT 182L	Emergency brake down in respect of vehicles providing service delivery	Rhino Auto Electrical Services	2 420
Scanner for Electronic Filling System	The Supplier was the one who installed Electronic Filling System	Electronic business engineering	148 924
Strip and quote for PTO pump in respect of DSN 430 N	Emergency breakdown in respect of refuse removal truck	Mundlovu trading	25 794
Grinders and discs	The only supplier who was having the items on stock	PME suppliers	4 902
Strip and code for grader CCR 890 L	Emergency breakdown in respect of a Grader providing service delivery	Equipment Spare Parts Africa	1 796
Repair CBV 780L Grader	Sole provider	RGR Services	58 275
Excavate graves	Municipality's TLB had a breakdown and there was a need for municipality to excavate graves at Namakgale cemetery.	Mabharula Entreprise	12 000
Repair and maintenance of cash systems at revenue and traffic	The company installed the cash system	Mandlethu Cash Systems	43 877
Upgrading of internet line at Ba-Phalaborwa Municipality	Bidders were invited to bid but only one company responded	IGNITE	14 370
Procure Special transmission oil for Cat grader for busted transmission pipe.	Emergency break down and the grader was standing in the middle of the road in Namakgale.	Barloworld Equipment	3 383
Strip and quote for sewage pumps 22kw,4.4kw and 18kw	Emergency breakdown at the sewerage pump station.	LH Marthininusen electrical and mechanical	51 710
Upgrading of server performance for purpose of deployment of system centre system.	Urgently needed by Municipality to have performance centre system for compliance.	Service Parts Logistics	59 581
Upgrading of server performance for purpose of deployment of system centre system.	Urgently needed by Municipality to have performance centre system for compliance.	Service Parts Logistics	59 581
Main pump was not functioning. Reset faults on panel control screen at main pump station	They are the one who initially installed and programed the control system	GMCA Engineers	3 029
Strip, test & Measure TLB's Engine. Repair and Assemble Engine & top	Repair plant and Equipment where is not possible to ascertain the nature or extent of the work required in order to call for birds (Strip and Quote)	Tzaneen Precision Motor Works	20 622

Notes to the Annual Financial Statements

55. Deviations from supply chain management regulations (continued)

Service and certify Skyjacks human lifting crane by a qualified lifting machine inspector for a period of 12 months.	Repair plant and Equipment where is not possible to ascertain the nature or extent of the work required in order to call for birds (Strip and Quote)	J.V Hidroliese Dienste BK	10 677
Calibration of the VTS Equipment	Sole supplier to supply and maintain Maha roadworthy equipment	Maha South African (Pty) Ltd	23 813
Grand Total			**1 353 401**

Notes to the Annual Financial Statements

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 033 332	2 835 016
Amount paid - current year	(3 033 332)	(2 835 016)
	-	-

Audit fees

Opening balance	-	66 203
Current year fees	6 152 380	4 923 074
Amount paid - current year	(6 152 380)	(4 989 277)
	-	-

PAYE and UIF

Opening balance	-	1 521 018
Current year subscription / fee	31 071 517	19 536 387
Amount paid - current year	(31 071 517)	(19 557 395)
Amount paid - previous years	-	(1 500 010)
	-	-

Medical Aid Deductions

Current year subscription / fee	10 167 351	9 069 107
Amount paid - current year	(10 167 351)	(9 069 107)
	-	-

Pension Deductions

Current year subscription / fee	23 027 506	20 172 401
Amount paid - current year	(23 027 506)	(20 172 401)
	-	-

Skills Development Levy

Opening balance	101 391	-
Current year subscription / fee	1 805 562	1 178 097
Amount paid - current year	(1 801 217)	(1 076 706)
	105 736	**101 391**

VAT

VAT receivable	1 399 656	-
VAT payable	-	5 592 214
	1 399 656	**5 592 214**

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr.P.J. Shayi	940	-	940
Cllr.M.M. Malatji	1 392	-	1 392
Cllr.S.L. Mohlala	859	-	859
Cllr.T. Nkuna	105	-	105
Cllr.M.S. Magomane	238	-	238
Cllr.S.R. de Beer	523	-	523
Cllr.N.J. Mampuru	865	-	865
Cllr.S.T. Mkansi	759	-	759
Cllr.K.A. Peta	1 296	-	1 296
Cllr.J.A. Williamson	1 640	-	1 640
Cllr.K.P. Mhlarhi	105	-	105
Cllr.E.A. Mokoena-Mashele	2 148	-	2 148
Cllr.P.S. Dikgale	618	-	618
Cllr.A. Ngobeni	3 265	-	3 265
Cllr.N.A. Sono	844	-	844
Cllr.R.J. Mphogo	927	-	927
Cllr.B. Ramothwala	799	-	799
Cllr.G.H. Lamola	418	-	418
	17 741	**-**	**17 741**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr.S.L. Mohlala	778	-	778
Cllr.T. Nkuna	392	7 063	7 455
Cllr.M.S. Magomane	265	-	265
Cllr.S.R. de Beer	570	-	570
Cllr.N.J. Mampuru	2 859	9 178	12 037
Cllr.S.T. Mkansi	748	-	748
Cllr.K.A. Peta	1 032	-	1 032
Cllr.J.A. Williamson	2 015	-	2 015
Cllr.K.P. Mhlarhi	104	-	104
Cllr.E.A. Mokoena-Mashele	269	-	269
Cllr.P.S. Dikgale	266	-	266
Cllr.A. Ngobeni	152	-	152
Cllr.N.A. Sono	900	-	900
Cllr.R.J. Mphogo	835	-	835
Cllr.B. Ramothwala	806	-	806
Cllr.G.H. Lamola	1 518	35 790	37 308
	13 509	**52 031**	**65 540**

Notes to the Annual Financial Statements

57. Budget differences

Material differences between budget and actual amounts

There variances between budget and actual are explained below.

57.1. Service charges

The Municipality anticipated to bill more electricity usage but billed less due customers understanding and undertaking electricity savings methods.

57.2. Rental of facilities and equipment

The increase beyond the amount budgeted for was due to the higher frequencies of hiring of municipal facilities and equipment by the public. This was more than that forecasted during the budget period and therefore more revenue was received than initially budgeted.

57.3. Agency services

The Agency fees actual income received is higher than the budget due to more revenue collected than forecasted by the Municipality as a result of more members of community paying for their traffic fines, contravention of Roads Acts within the Municipality and the accrual of agency fees under the agency relationship with Mopani District Municipality.

57.4. Licences and permits

The Licences and Permits actual income received is lesser than the budgeted amount due to less revenue collected by Municipality as a results lesser members of community paying for Learners Drivers, Driving licence and Permit for Vehicles.

57.5. Other income

Other income comprise of land sales, sale of bid documents, connection fees, building plans and related income items. This was higher than budgeted mainly due to the sale of municiapla land which happened during the year.

57.6. Interest received - investment

The actual interest charged on the debtors could not exceed the budget due the fact that debtors are paying to reduce long outstanding debts. Further the interest received from bank balance though higher than the previous year was not as high as anticipated due to lower interest and less cash available to invest.

57.7. Property rates

The properties rates payers received rebates and the reversal of rates that the Municipality had erroneously done on properties it owned. The budget had assumed these to be rateable properties.

57.8. Government grants & subsidies

The Municipality was allocated grants as per Division of Revenue Act by the Minister to assist municipalities in services delivery however municipality could not spend all of it to meet the recognition criteria as revenue after meeting conditions. The Municipality applied for roll over to be used in the 2018-2019 financial year.

57.9. Fines, Penalties

The Municipality collected more money from Fines and penalties due the fact that members of the community are always contravening the By-laws and the acts and are expected to pay the fines and penalties. The increase is attributable also to the increase in enforcement and collection efforts by the Municipality.

57.10. Personnel

The actual expenditure was less than the forecasted amount because the Municipality had not filled all its vacant posts as per approved structure. The Municipality also had lot of employees resigning during the year.

Notes to the Annual Financial Statements

57. Budget differences (continued)

57.11. Remuneration of councillors

The actual expenditure incurred was less because the upper limits Gazzette has the cost lower than the approved budgets therefore some cost are reduced and also the salaries are influenced by the numbers of council as well as the Grading of the Municipality.

57.12. Depreciation and amortisation

The Municipality had actual increase in depreciation amortisation because of additions to property, plant and equipment as well as due to the changes in useful lives of assets owned by the Municipality.

57.13. Finance costs

The amount budgeted was less than actual due to the interest from amortisation of long-term borrowings as well as finance costs on unwinding of discount rates on the landfill restoration provisions. These two were not included in the budget and are all non-cash items. Amount was budgeted for bank charges, service costs and other interest expenses.

57.14. Debt Impairment

The Municipality incurred more impairments on the accounts receivables due to poor payment history by consumers. The Municipality continues to struggle to collect outstanding debts from the public and hence the need for higher impairment.

57.15. Bulk purchases

The Municipality had higher Budget on Electricity than actual expenditure because during the preparation of the Budget we could not anticipate the increase in the amounts Billed the clients to municipality and the Municipality had actually purchased less Bulk Electricity.

57.16. Contracted Services

The municipality budgeted a higher amount for contracted services anticipating procuring VAT consulting and legal costs in the year. These appointments were deferred resulting in a saving.

57.17. General Expenses

General Expenditure actuals was less than budgeted due to lesser expenditure incurred by the Municipality as well as due to implementation of cost-containment measures.

57.18. Gain on disposal of assets and liabilities

Income received on Disposal of assets.It was not budgeted for.

58. Gains or losses on biological assets

Loss on biological assets	(212 591)	-

Ba-Phalaborwa Local Municipality
Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Other financial liabilities								
Lepelle Northern Water			126 082 367	-	(940 648)	127 023 015	-	-
			126 082 367	**-**	**(940 648)**	**127 023 015**	**-**	**-**
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability								
Vodacom			83 890	-	83 890	-	-	-
			83 890	**-**	**83 890**	**-**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans			**126 166 257**	**-**	**(856 758)**	**127 023 015**	**-**	**-**

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Fair value adjustments Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	98 673 485	-	-	-	-	-	98 673 485	-	-	-	-	-	-	98 673 485
Buildings (Separate for AFS purposes)	326 637 832	391 444	-	-	-	-	327 029 276	(203 386 094)	-	-	(12 020 767)	-	(215 406 861)	111 622 415
	425 311 317	**391 444**	**-**	**-**	**-**	**-**	**425 702 761**	**(203 386 094)**	**-**	**-**	**(12 020 767)**	**-**	**(215 406 861)**	**210 295 900**
Infrastructure														
Bridges	14 967 765	-	-	-	-	-	14 967 765	(3 344 652)	-	-	(187 097)	-	(3 531 749)	11 436 016
Electricity network	182 189 734	95 760	-	-	-	-	182 285 494	(90 960 616)	-	-	(4 791 372)	-	(95 751 988)	86 533 506
Rail network	97 982	-	-	-	-	-	97 982	(66 954)	-	-	(6 532)	-	(73 486)	24 496
Road network	591 923 175	-	-	30 744 223	-	-	622 667 398	(327 301 997)	-	-	(26 188 033)	-	(353 490 030)	269 177 368
Stormwater network	25 335 583	-	-	-	-	-	25 335 583	(7 869 196)	-	-	(526 855)	-	(8 396 051)	16 939 532
	814 514 239	**95 760**	**-**	**30 744 223**	**-**	**-**	**845 354 222**	**(429 543 415)**	**-**	**-**	**(31 699 889)**	**-**	**(461 243 304)**	**384 110 918**
Community Assets														
Buildings	207 266 600	495 116	-	-	-	-	207 761 716	(119 451 760)	-	-	(6 899 807)	-	(126 351 567)	81 410 149
Carports	4 048 962	-	-	-	-	-	4 048 962	(744 533)	-	-	(134 965)	-	(879 498)	3 169 464
Guard rooms	78 421	-	-	-	-	-	78 421	(215)	-	-	(2 614)	-	(2 829)	75 592
Other facilities	2 652 199	-	-	-	-	-	2 652 199	(1 459 541)	-	-	(123 102)	-	(1 582 643)	1 069 556
Pavings	9 668 751	-	-	-	-	-	9 668 751	(2 703 644)	-	-	(483 438)	-	(3 187 082)	6 481 669
Perimeter fencing	5 868 317	83 440	-	-	-	-	5 951 757	(2 012 650)	-	-	(237 141)	-	(2 249 791)	3 701 966
Signs	36 431	-	-	-	-	-	36 431	(23 277)	-	-	(2 429)	-	(25 706)	10 725
Stadium with separated buildings	87 312 943	-	-	-	-	-	87 312 943	(53 032 463)	-	-	(2 910 431)	-	(55 942 894)	31 370 049
Street lights	809 488	-	-	-	-	-	809 488	(441 851)	-	-	(20 237)	-	(462 088)	347 400
Landfill sites	76 068 639	6 749 390	-	-	-	-	82 818 029	(49 603 945)	-	-	(13 951 617)	-	(63 555 562)	19 262 467
	393 810 751	**7 327 946**	**-**	**-**	**-**	**-**	**401 138 697**	**(229 473 879)**	**-**	**-**	**(24 765 781)**	**-**	**(254 239 660)**	**146 899 037**

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Fair value adjustments Rand	Closing Balance Rand	Carrying value Rand
Work in progress														
Work in progress	78 161 093	50 498 539	-	(30 744 223)	-	-	**97 915 409**	-	-	-	-	-	-	97 915 409
	78 161 093	**50 498 539**	**-**	**(30 744 223)**	**-**	**-**	**97 915 409**	**-**	**-**	**-**	**-**	**-**	**-**	**97 915 409**
Heritage assets														
Historical monuments	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	-	317 000
	317 000	**-**	**-**	**-**	**-**	**-**	**317 000**	**-**	**-**	**-**	**-**	**-**	**-**	**317 000**
Other assets - Movables														
Computer Equipment	3 439 970	294 464	(640 591)	-	-	-	**3 093 843**	(2 595 984)	-	629 641	(162 231)	-	**(2 128 574)**	965 269
Furniture & Fittings	12 477 495	437 917	(160 094)	-	-	-	**12 755 318**	(8 646 941)	-	135 397	(1 358 392)	-	**(9 869 936)**	2 885 382
Machinery and equipment	5 334 298	177 107	(813 435)	-	-	-	**4 697 970**	(3 326 652)	-	599 896	(536 994)	-	**(3 263 750)**	1 434 220
Office Equipment	695 805	263 392	-	-	-	-	**959 197**	(105 957)	-	-	(66 530)	-	**(172 487)**	786 710
Vehicles	25 382 759	1 600 826	(4 662 820)	-	-	-	**22 320 765**	(20 307 146)	-	3 948 473	(601 894)	-	**(16 960 567)**	5 360 198
Library books	69 539	-	-	-	-	-	**69 539**	(44 416)	-	-	(18 443)	-	**(62 859)**	6 680
	47 399 866	**2 773 706**	**(6 276 940)**	**-**	**-**	**-**	**43 896 632**	**(35 027 096)**	**-**	**5 313 407**	**(2 744 484)**	**-**	**(32 458 173)**	**11 438 459**

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Fair value adjustments Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	425 311 317	391 444	-	-	-	-	**425 702 761**	(203 386 094)	-	-	(12 020 767)	-	**(215 406 861)**	210 295 900
Infrastructure	814 514 239	95 760	-	30 744 223	-	-	**845 354 222**	(429 543 415)	-	-	(31 699 889)	-	**(461 243 304)**	384 110 918
Community Assets	393 810 751	7 327 946	-	-	-	-	**401 138 697**	(229 473 879)	-	-	(24 765 781)	-	**(254 239 660)**	146 899 037
Work in progress	78 161 093	50 498 539	-	(30 744 223)	-	-	**97 915 409**	-	-	-	-	-	**-**	97 915 409
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	**-**	317 000
Other assets - Movables	47 399 866	2 773 706	(6 276 940)	-	-	-	**43 896 632**	(35 027 096)	-	5 313 407	(2 744 484)	-	**(32 458 173)**	11 438 459
	1 759 514 266	**61 087 395**	**(6 276 940)**	**-**	**-**	**-**	**1 814 324 721**	**(897 430 484)**	**-**	**5 313 407**	**(71 230 921)**	**-**	**(963 347 998)**	**850 976 723**
Biological assets														
Trees and flowers	263 708	63 668	-	-	-	**(212 591)**	**114 785**	-	-	-	-	(10 259)	**(10 259)**	104 526
	263 708	**63 668**	**-**	**-**	**-**	**(212 591)**	**114 785**	**-**	**-**	**-**	**-**	**(10 259)**	**(10 259)**	**104 526**
Intangible assets														
Computers software	2 149 189	-	-	-	-	-	**2 149 189**	(1 293 818)	-	-	(427 450)	-	**(1 721 268)**	427 921
	2 149 189	**-**	**-**	**-**	**-**	**-**	**2 149 189**	**(1 293 818)**	**-**	**-**	**(427 450)**	**-**	**(1 721 268)**	**427 921**
Investment properties														
Investment property	43 054 720	-	-	-	-	-	**43 054 720**	-	-	-	-	1 248 587	**1 248 587**	44 303 307
	43 054 720	**-**	**-**	**-**	**-**	**-**	**43 054 720**	**-**	**-**	**-**	**-**	**1 248 587**	**1 248 587**	**44 303 307**
Total														
Land and buildings	425 311 317	391 444	-	-	-	-	**425 702 761**	(203 386 094)	-	-	(12 020 767)	-	**(215 406 861)**	210 295 900
Infrastructure	814 514 239	95 760	-	30 744 223	-	-	**845 354 222**	(429 543 415)	-	-	(31 699 889)	-	**(461 243 304)**	384 110 918
Community Assets	393 810 751	7 327 946	-	-	-	-	**401 138 697**	(229 473 879)	-	-	(24 765 781)	-	**(254 239 660)**	146 899 037
Work in progress	78 161 093	50 498 539	-	(30 744 223)	-	-	**97 915 409**	-	-	-	-	-	**-**	97 915 409
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	**-**	317 000
Other assets - Movables	47 399 866	2 773 706	(6 276 940)	-	-	-	**43 896 632**	(35 027 096)	-	5 313 407	(2 744 484)	-	**(32 458 173)**	11 438 459
Biological assets	263 708	63 668	-	-	-	**(212 591)**	**114 785**	-	-	-	-	(10 259)	**(10 259)**	104 526
Intangible assets	2 149 189	-	-	-	-	-	**2 149 189**	(1 293 818)	-	-	(427 450)	-	**(1 721 268)**	427 921
Investment properties	43 054 720	-	-	-	-	-	**43 054 720**	-	-	-	-	1 248 587	**1 248 587**	44 303 307
	1 804 981 883	**61 151 063**	**(6 276 940)**	**-**	**-**	**(212 591)**	**1 859 643 415**	**(898 724 302)**	**-**	**5 313 407**	**(71 658 371)**	**1 238 328**	**(963 830 938)**	**895 812 477**

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	98 681 744	-	-	-	(8 259)	-	**98 673 485**	-	-	-	-	-	**-**	98 673 485
Buildings (Separate for AFS purposes)	326 485 659	152 173	-	-	-	-	**326 637 832**	(191 401 708)	-	-	(11 984 386)	-	**(203 386 094)**	123 251 738
	425 167 403	**152 173**	**-**	**-**	**(8 259)**	**-**	**425 311 317**	**(191 401 708)**	**-**	**-**	**(11 984 386)**	**-**	**(203 386 094)**	**221 925 223**
Infrastructure														
Bridges	14 967 765	-	-	-	-	-	**14 967 765**	(3 157 555)	-	-	(187 097)	-	**(3 344 652)**	11 623 113
Electricity network	182 189 734	-	-	-	-	-	**182 189 734**	(84 915 435)	-	-	(6 045 181)	-	**(90 960 616)**	91 229 118
Rail network	97 982	-	-	-	-	-	**97 982**	(60 422)	-	-	(6 532)	-	**(66 954)**	31 028
Road network	585 833 662	10 589 626	(3 777 516)	-	-	-	**592 645 772**	(301 647 502)	-	-	(25 654 495)	-	**(327 301 997)**	265 343 775
Stormwater network	25 332 392	3 191	-	-	-	-	**25 335 583**	(7 342 432)	-	-	(526 764)	-	**(7 869 196)**	17 466 387
	808 421 535	**10 592 817**	**(3 777 516)**	**-**	**-**	**-**	**815 236 836**	**(397 123 346)**	**-**	**-**	**(32 420 069)**	**-**	**(429 543 415)**	**385 693 421**
Community Assets														
Buildings	207 266 600	-	-	-	-	-	**207 266 600**	(112 552 496)	288 675	-	(6 899 264)	-	**(119 163 085)**	88 103 515
Carports	4 048 962	-	-	-	-	-	**4 048 962**	(609 567)	-	-	(134 965)	-	**(744 532)**	3 304 430
Guard rooms	-	78 421	-	-	-	-	**78 421**	-	-	-	(215)	-	**(215)**	78 206
Other facilities	2 652 199	-	-	-	-	-	**2 652 199**	(1 336 440)	-	-	(123 102)	-	**(1 459 542)**	1 192 657
Pavings	9 007 427	661 324	-	-	-	-	**9 668 751**	(2 245 054)	-	-	(458 590)	-	**(2 703 644)**	6 965 107
Perimeter fencing	5 792 467	75 850	-	-	-	-	**5 868 317**	(1 780 203)	-	-	(232 447)	-	**(2 012 650)**	3 855 667
Signs	36 431	-	-	-	-	-	**36 431**	(20 848)	-	-	(2 429)	-	**(23 277)**	13 154
Stadium with separated buildings	87 312 943	-	-	-	-	-	**87 312 943**	(50 122 032)	-	-	(2 910 431)	-	**(53 032 463)**	34 280 480
Street lights	809 488	-	-	-	-	-	**809 488**	(421 614)	-	-	(20 237)	-	**(441 851)**	367 637
Landfill sites	71 762 721	4 518 517	-	-	-	-	**76 281 238**	(7 304 058)	-	-	(42 801 161)	-	**(50 105 219)**	26 176 019
	388 689 238	**5 334 112**	**-**	**-**	**-**	**-**	**394 023 350**	**(176 392 312)**	**288 675**	**-**	**(53 582 841)**	**-**	**(229 686 478)**	**164 336 872**

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Work in progress														
Work in progress	51 686 169	34 063 615	-	(8 256 207)	-	**667 516**	**78 161 093**	-	-	-	-	-	**-**	78 161 093
	51 686 169	**34 063 615**	**-**	**(8 256 207)**	**-**	**667 516**	**78 161 093**	**-**	**-**	**-**	**-**	**-**	**-**	**78 161 093**
Heritage assets														
Historical monuments	317 000	-	-	-	-	**-**	**317 000**	-	-	-	-	-	**-**	317 000
	317 000	**-**	**-**	**-**	**-**	**-**	**317 000**	**-**	**-**	**-**	**-**	**-**	**-**	**317 000**
Other assets - Movables														
Computer Equipment	3 225 511	214 459	-	-	-	**-**	**3 439 970**	(2 451 248)	-	-	(144 736)	-	**(2 595 984)**	843 986
Furniture & Fittings	11 879 444	598 051	-	-	-	**-**	**12 477 495**	(7 337 323)	-	-	(1 309 618)	-	**(8 646 941)**	3 830 554
Machinery and equipment	5 023 795	310 503	-	-	-	**-**	**5 334 298**	(2 760 536)	-	-	(566 117)	-	**(3 326 653)**	2 007 645
Office Equipment	69 824	625 981	-	-	-	**-**	**695 805**	(64 793)	-	-	(41 164)	-	**(105 957)**	589 848
Vehicles	25 382 759	-	-	-	-	**-**	**25 382 759**	(19 824 391)	-	-	(482 755)	-	**(20 307 146)**	5 075 613
Library books	69 538	-	-	-	-	**-**	**69 538**	(21 237)	-	-	(23 179)	-	**(44 416)**	25 122
	45 650 871	**1 748 994**	**-**	**-**	**-**	**-**	**47 399 865**	**(32 459 528)**	**-**	**-**	**(2 567 569)**	**-**	**(35 027 097)**	**12 372 768**

Ba-Phalaborwa Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment														
Land and buildings	425 167 403	152 173	-	-	(8 259)	-	**425 311 317**	(191 401 708)	-	-	(11 984 386)	-	**(203 386 094)**	221 925 223
Infrastructure	808 421 535	10 592 817	(3 777 516)	-	-	-	**815 236 836**	(397 123 346)	-	-	(32 420 069)	-	**(429 543 415)**	385 693 421
Community Assets	388 689 238	5 334 112	-	-	-	-	**394 023 350**	(176 392 312)	288 675	-	(53 582 841)	-	**(229 686 478)**	164 336 872
Work in progress	51 686 169	34 063 615	-	(8 256 207)	-	**667 516**	**78 161 093**	-	-	-	-	-	**-**	78 161 093
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	**-**	317 000
Other assets - Movables	45 650 871	1 748 994	-	-	-	-	**47 399 865**	(32 459 528)	-	-	(2 567 569)	-	**(35 027 097)**	12 372 768
	1 719 932 216	**51 891 711**	**(3 777 516)**	**(8 256 207)**	**(8 259)**	**667 516**	**1 760 449 461**	**(797 376 894)**	**288 675**	**-**	**(100 554 865)**	**-**	**(897 643 084)**	**862 806 377**
Biological assets														
Trees and flowers	266 663	-	-	-	-	-	**266 663**	-	-	-	-	(2 595)	**(2 595)**	264 068
	266 663	**-**	**-**	**-**	**-**	**-**	**266 663**	**-**	**-**	**-**	**-**	**(2 595)**	**(2 595)**	**264 068**
Intangible assets														
Computers software	2 149 189	-	-	-	-	-	**2 149 189**	(866 368)	-	-	(429 838)	-	**(1 296 206)**	852 983
	2 149 189	**-**	**-**	**-**	**-**	**-**	**2 149 189**	**(866 368)**	**-**	**-**	**(429 838)**	**-**	**(1 296 206)**	**852 983**
Investment properties														
Investment property	43 858 000	-	-	-	-	-	**43 858 000**	-	-	-	-	(803 280)	**(803 280)**	43 054 720
	43 858 000	**-**	**-**	**-**	**-**	**-**	**43 858 000**	**-**	**-**	**-**	**-**	**(803 280)**	**(803 280)**	**43 054 720**
Total														
Land and buildings	425 167 403	152 173	-	-	(8 259)	-	**425 311 317**	(191 401 708)	-	-	(11 984 386)	-	**(203 386 094)**	221 925 223
Infrastructure	808 421 535	10 592 817	(3 777 516)	-	-	-	**815 236 836**	(397 123 346)	-	-	(32 420 069)	-	**(429 543 415)**	385 693 421
Community Assets	388 689 238	5 334 112	-	-	-	-	**394 023 350**	(176 392 312)	288 675	-	(53 582 841)	-	**(229 686 478)**	164 336 872
Work in progress	51 686 169	34 063 615	-	(8 256 207)	-	**667 516**	**78 161 093**	-	-	-	-	-	**-**	78 161 093
Heritage assets	317 000	-	-	-	-	-	**317 000**	-	-	-	-	-	**-**	317 000
Other assets - Movables	45 650 871	1 748 994	-	-	-	-	**47 399 865**	(32 459 528)	-	-	(2 567 569)	-	**(35 027 097)**	12 372 768
Biological assets	266 663	-	-	-	-	-	**266 663**	-	-	-	-	(2 595)	**(2 595)**	264 068
Intangible assets	2 149 189	-	-	-	-	-	**2 149 189**	(866 368)	-	-	(429 838)	-	**(1 296 206)**	852 983
Investment properties	43 858 000	-	-	-	-	-	**43 858 000**	-	-	-	-	(803 280)	**(803 280)**	43 054 720
	1 766 206 068	**51 891 711**	**(3 777 516)**	**(8 256 207)**	**(8 259)**	**667 516**	**1 806 723 313**	**(798 243 262)**	**288 675**	**-**	**(100 984 703)**	**(805 875)**	**(899 745 165)**	**906 978 148**